ANNUAL REPORT

of the

PROVINCIAL AUDITOR

of

ONTARIO

for the year ended March 31, 1984

THE HONOURABLE JOHN M. TURNER, M.P.P.

Speaker of the Assembly
Province of Ontario

Dear Sir:

I have the honour to transmit herewith my report for the year ended March 31, 1984, for submission to the Assembly in accordance with the provisions of section 12(1) of the Audit Act.

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, November 26, 1984.

Copies available at $3.50 from the Ontario Government Bookstore, 880 Bay Street, Toronto for personal shopping. Out-of-town customers write to Publications Services Section, 5th Floor, 880 Bay Street, Toronto, Ontario, M7A 1A8. Telephone 965-6015. Toll free long distance 1-800-268-7540, in North-Western Ontario 0-Zenith 67200.

TABLE OF CONTENTS

	SECTION	PAGE
GENERAL		
Introduction	1.1	9
Timetable for Preparation and Submission of Annual Report	1.2	9
Basis of Reporting and Overall Assessment	1.3	9
Status of Suggested Corrective Action and Recommendations Contained in Previous Annual Reports	1.4	10
SUMMARY OF AUDIT OBSERVATIONS		
Introductory Comments	2.1	11
Comments on Ministry Operations	2.2	11
Comments on Crown Agency Operations	2.3	14
COMMENTS ON MINISTRY OPERATIONS		
Introductory Comments	3.1	16
Accountability for Transfer Payments	3.2	16
Study of Government Management Practices and Accountability	3.3	24
Review of Contracts Initiated by Minister of the Crown	3.4	25
Lack of Approval for Major Construction Projects at Horticultural Research Institute of Ontario, Ministry of Agriculture and Food	3.5	35
Potential for Improved Delivery of Apprentice Training Program, Ministry of Colleges and Universities	3.6	37
Audit of Children's Social Services Activity, Ministry of Community and Social Services	3.7	39
Review of Computer Controls, Ministry of Community and Social Services	3.8	45
Improvements Required re EDP Operations, Ministry of Consumer and Commercial Relations	3.9	51
Status of Investigation and Takeover of Trust Companies, Ministry of Consumer and Commercial Relations	3.10	55

	SECTION	PAGE
Improvements Needed re Probation and Parole Services, Ministry of Correctional Services	3.11	56
Lack of Compliance and Other Matters Related to Economy, Ministry of the Environment	3.12	64
Opportunities for Increased Economy and Efficiency re Maintenance of Government Facilities, Ministry of Government Services	3.13	71
Excessive Costs Incurred re Payments under Ontario Drug Benefit Plan, Ministry of Health	3.14	83
Potential for Increased Revenue and Recoveries, Ontario Health Insurance Plan, Ministry of Health	3.15	88
Wasted Publication Expenditure, Ministry of Health	3.16	95
Non-Compliance Noted re Ontario Youth Employment Program, Ministry of Municipal Affairs and Housing	3.17	96
Improvements in Economy and Efficiency Warranted re Outdoor Recreation Program, Ministry of Natural Resources	3.18	98
Status of the Telecommunications Project, Ministry of the Solicitor General	3.19	105
Lack of Efficiency re Examination, Inspection and Enforcement Activity, Ministry of Transportation and Communications	3.20	107

COMMENTS ON CROWN AGENCY OPERATIONS

Introductory Comments	4.1	111
Government and Legislative Review of Agencies, Boards and Commissions	4.2	111
Inadequate Procedures to Measure Effectiveness of Loans, The Development Corporations	4.3	113
Questionable Use of Consultant and Non-Compliance Matters, Liquor Control Board of Ontario	4.4	117
Inadequate EDP Controls and Other Deficiencies, Motor Vehicle Accident Claims Fund	4.5	121
Questionable Use of Caucus Research Support Funding, Office of the Assembly	4.6	124

	SECTION	PAGE
Review of Compliance with Ontario Manual of Administration, Office of the Ombudsman	4.7	125
Observations re Investments, The Ontario Cancer Treatment and Research Foundation	4.8	129
Appointment of Distributors and Questionable Use of Public Funds, Ontario Lottery Corporation	4.9	130
Insufficient Freight Rates Charged to Major Customer, Ontario Northland Transportation Commission	4.10	134
Improvements Needed re Operational Efficiency of Medical Aid Branch, Workers' Compensation Board	4.11	135
Subsidiaries of Crown Agencies	4.12	138
PUBLIC ACCOUNTS OF THE PROVINCE		
Preparation of the Public Accounts	5.1	141
Financial Statements of the Province	5.2	142
Summary of Significant Accounting Policies	5.3	143
Advances and Loans Repayable from Annual Expenditure Appropriations	5.4	144
Loans Receivable Not Included in Statement of Financial Position	5.5	145
Comfort Letters	5.6	146
Payments Out of the Consolidated Revenue Fund	5.7	147
Voted Appropriations — Comparison of Authorized and Actual Payments	5.8	149
Statutory Appropriations	5.9	149
Statement of Budgetary Expenditure	5.10	151
Management Board Orders	5.11	153
Special Warrants	5.12	154
Transfers Authorized by Board of Internal Economy	5.13	154
Write-Off of Uncollectible Accounts	5.14	155
OFFICE OF THE PROVINCIAL AUDITOR		
Office Goals	6.1	157
Audit Responsibilities	6.2	158
Audit Activities	6.3	159
Frequency and Initiation of Ministry Audits	6.4	161

	SECTION	PAGE
Audit of Transfer Payments	6.5	162
Crown Controlled Corporations	6.6	163
Provincial Auditor's Reporting Process	6.7	164
Office Organization and Personnel	6.8	166
Staff Training and Professional Development	6.9	167
Canadian Conference of Legislative Auditors	6.10	168
Examination of the Accounts of the Office of the Provincial Auditor	6.11	168

THE STANDING PUBLIC ACCOUNTS COMMITTEE

Appointment and Composition of the Committee	7.1	169
Role and Responsibilities of the Committee	7.2	169
Committee Meetings	7.3	170
Other Committee Activities	7.4	174
Reports of the Committee	7.5	175

EXHIBITS

1.	Sections of the Audit Act Relevant to the Responsibilities of the Provincial Auditor	177
2.	Province of Ontario, Audited Financial Statements, Year Ended March 31, 1984	182
3.	Management Board Orders — Amounts Authorized and Expended Thereunder, Year Ended March 31, 1984	195
4.	Statutory Appropriations — Amounts Provided and Expended Thereunder, Year Ended March 31, 1984	208
	Office of the Provincial Auditor:	
5.	Organization Chart	216
6.	Ministry Audits and Special Reviews, Year Ended March 31, 1984	217
7.	Agency of the Crown and Crown Controlled Corporation Audits, Year Ended March 31, 1984	219
8.	Audited Statement of Expenditure, Year Ended March 31, 1984	223
9.	Status of Suggested Corrective Action and Recommendations Contained in Previous Annual Reports	224
10.	Status of Recommendations Contained in the Reports of the Standing Public Accounts Committee to the Legislative Assembly	227

1

GENERAL

1.1 Introduction

This Report has been prepared pursuant to section 12(1) of the Audit Act, which requires the Provincial Auditor's annual Report to be submitted to the Speaker of the Assembly not later than December 31st each year, provided that the Public Accounts have previously been laid before the Assembly.

Sections of the Audit Act relevant to the responsibilities of the Provincial Auditor are set out in Exhibit 1 of this Report.

1.2 Timetable for Preparation and Submission of Annual Report

To comply with section 12(1) of the Act, and to allow the required time for the preparation and printing process, our annual reports cover all audits completed to the end of each September. This Report, therefore, covers audit activity through the twelve month period from October 1983 to September 1984.

In this connection, as a result of printing deadlines, it is not possible to include in this Report any replies from ministries and agencies of the Crown which have been received subsequent to the end of September. However, all such replies are forwarded by this Office to the Standing Public Accounts Committee of the Legislature after this Report has been tabled.

A description of the process leading up to the issue of this Report is contained in section 6.7.

1.3 Basis of Reporting and Overall Assessment

BASIS OF REPORTING

The contents of this Report are prescribed by section 12(2) of the Audit Act (See Exhibit 1 — CONTENT OF ANNUAL REPORT). Its purpose is to bring to the attention of the Legislative Assembly those matters which have been observed and are considered significant. In many respects, therefore, this is a report by exception.

Reporting in this manner may unduly emphasize deficiencies

without giving credit for the many situations where no significant irregularities were observed. Indeed, several audits conducted during the past year disclosed no matters of major significance. With certain other audits, although weaknesses and deficiencies were noted, the program activities and systems reviewed, when taken as a whole, were found to be generally well controlled.

OVERALL ASSESSMENT

Overall, we found that the areas audited during the past year were administered in a generally satisfactory manner. However, there is definitely scope for improvement, as evidenced by the audit observations contained in this Report.

In accordance with section 12(2)(a) of the Act, we are pleased to report that we received all the information and explanations required in carrying on the work of the Office.

1.4 Status of Suggested Corrective Action and Recommendations Contained in Previous Annual Reports

It is our practice to follow up on the status of suggested corrective action and recommendations at the time of our next audit of each ministry or agency of the Crown. The status of suggested corrective action and recommendations contained in the body of our 1983 Report is indicated in Exhibit 9 of this Report. Exhibit 9 also provides an update on the status of corrective action and recommendations considered unresolved per Exhibit 9 of our 1983 Report.

2

SUMMARY OF AUDIT OBSERVATIONS

2.1 Introductory Comments

The following two sections have been prepared to provide the reader with a brief overview of the audit conclusions and observations contained in Chapters 3 and 4 of this Report, together with our views as to the most significant sections. For additional information, together with our recommendations, reference should be made to the relevant detailed sections of this Report, which have been identified.

2.2 Comments on Ministry Operations

Transfer payments represent a major portion of the Province's operations, amounting to $18.0 billion or 73.5 per cent of total budgetary expenditures for the 1984 fiscal year. Because of the Office's concern with the accountability relationships between ministries and transfer payment recipients, section 3.2. of our 1983 Report summarized, for major transfer payment programs, the then current status of the accountability relationships, together with deficiencies and actions that were in process to address these deficiencies. In this regard, section 3.2 of this Report provides an update as to the current status of these matters.

The subject of non-compliance with various aspects of government policies and procedures has received a great deal of attention by both the Legislature and the Standing Public Accounts Committee of the Legislature during the past year. Because of this interest we have, perhaps more so than in previous years, included in this Report observed instances where, in our opinion, non-compliance has occurred. These instances are contained in sections 4, 5, 8, 11, 12, 15, 17 and 18 of Chapter 3.

A summary of our conclusions regarding the preceding and other sections of Chapter 3 is set out as follows:

Government Study of Management Practices and Accountability

(3.3) • Completion of a major study of these areas was expected by the end of 1984.

Minister of the Crown, Speechwriting and Other Contracts

(3.4) • Application of the Ontario Manual of Administration to speechwriting services is unclear.

- Established policies and procedures, in our opinion, were not followed in obtaining certain contracted services.

Ministry of Agriculture and Food, Construction Projects

(3.5)
- Management Board approval was not obtained for two major construction projects at the Horticultural Research Institute of Ontario.

Ministry of Colleges and Universities, Apprentice Training Program

(3.6)
- Procedures for the scheduling of apprentices did not ensure due regard for economy and efficiency.
- Intended program effects had been identified and will be used within the next year to assess and report on program effectiveness.

Ministry of Community and Social Services, Children's Social Services Activity

(3.7)
- Management information and financial control systems were generally functioning adequately, although certain control mechanisms required strengthening.

Ministry of Community and Social Services, Computer Operations

(3.8)
- Management controls over the EDP policy and planning functions were good.
- EDP standards and procedures had not been established and documented for contingency plans, change control procedures and security and privacy of data.
- Reasonable controls were exercised over the use and cost of EDP facilities, although we had concerns over data storage costs and the employment of consultants.

Ministry of Consumer and Commercial Relations, Computer Operations

(3.9)
- Security over stored information was inadequate.
- Management controls over the development of a complex data processing system were sound.

Ministry of Consumer and Commercial Relations, Trust Company Takeovers

(3.10)
- To March 31, 1984, expenditures totalling $17.8 million had been incurred to pay for various required services.

Ministry of Correctional Services, Probation and Parole Services and Community Resource Centre Services Activities

(3.11) • Caseload accountability and compliance with administrative requirements were deficient (Probation and Parole Services).

• Compliance with legislative and administrative requirements was adequate, but additional economies could be achieved in several areas (Community Resource Centre Services).

• Internal controls over Ministry expenditures, including compliance with established policies and procedures, were adequate.

Ministry of the Environment, Branch Economy

(3.12) • The Water Resources, Waste Management and Air Resources Branches were, for the most part, operating with due regard for economy, although certain areas required improvements.

Ministry of Government Services, Maintenance of Government Facilities

(3.13) • Information used for performance reporting was deficient as related to the costs of individual facilities managed and the performance of individual districts and regions.

• Operating relationships between the Property Management Division and client ministries were not clearly defined, resulting in instances of unnecessary delays in essential repairs and disputes over levels of service.

• Due regard for economy in the acquisition of contract services was not assured.

• The Preventive Maintenance Program for mechanical systems and equipment was not adequately performed.

Ministry of Health, Ontario Drug Benefit Plan

(3.14) • Procedures did not ensure that prices for drugs listed in the Ontario Drug Benefit Formulary were the most economical.

Ministry of Health, Ontario Health Insurance Plan (OHIP)

(3.15) • Internal controls and compliance with legislation and administrative policies covering OHIP premium revenue, billing systems and payment of medical claims were generally satisfactory.

• Certain other matters, relating to improperly waived premium revenue and amounts recoverable from physicians, were observed.

Ministry of Health, Cancelled Publication

(3.16) • After printing 102,000 booklets for intended distribution,

numerous errors were discovered and all copies were destroyed, resulting in wasted expenditure of $84,000.

Ministry of Municipal Affairs and Housing, Ontario Youth Employment Program

(3.17) • Improvements in controls were required to ensure compliance with the Ontario Youth Employment Act.

Ministry of Natural Resources, Outdoor Recreation Program

(3.18) • Although the Program was generally being administered with due regard to economy, efficiency and effectiveness, additional economies and efficiencies could be achieved.

Ministry of the Solicitor General, O.P.P. Telecommunications Project

(3.19) • This project, the estimated costs of which had risen from $24.4 million in January 1980 to approximately $70 million in December 1982, was still in progress, with field testing of certain equipment scheduled for October 1984.

Ministry of Transportation and Communications, Examination, Inspection and Enforcement Activity

(3.20) • Improvements were required over management controls in place to monitor and report on the utilization of regional staff.

2.3 Comments on Crown Agency Operations

Similar to our comments on ministry operations, sections 4, 6, 7 and 9 of Chapter 4 contain instances where, in our opinion, compliance with established policies and procedures was not observed. A summary of our observations regarding these and the other sections of Chapter 4 is as follows:

Agencies, Boards and Commissions, Sunset Review Process

(4.2) • Although 19 agencies have been terminated as a result of this process, the total number of agencies has increased.

The Development Corporations, Loans

(4.3) • Procedures to measure the effectiveness of loan programs were inadequate.

Liquor Control Board of Ontario, Consulting Services and Compliance

(4.4) • A firm of consultants was retained to essentially duplicate work already completed by a government ministry.

• Non-compliance with policies contained in the Ontario Manual

of Administration was noted in the areas of employee relocation benefits, disposal of Board-owned automobiles and the monitoring of employee absences.

Motor Vehicle Accident Claims Fund, Various Matters

(4.5) • EDP procedures and controls were deficient.

• Monitoring of collection agencies' performance was inadequate.

Office of the Assembly, Appropriations

(4.6) • We questioned whether $105,000 charged to Caucus Research Support Funding was expended for the purposes for which it was appropriated.

Office of the Ombudsman, Compliance

(4.7) • We observed a number of areas and instances of non-compliance with policies and procedures contained in the Ontario Manual of Administration.

The Ontario Cancer Treatment and Research Foundation, Investments

(4.8) • The Foundation's investment portfolio has increased substantially over the past four years.

Ontario Lottery Corporation, Appointment of Distributors and Use of Public Funds

(4.9) • We questioned whether qualified applicants for distributorships were aware of openings.

• Contrary to normal practice in the Ontario public sector, the Corporation paid approximately $10,000 for a staff reception and dinner.

Ontario Northland Transportation Commission, Freight Rates

(4.10) • The Commission lost over $300,000 in 1982 because rates charged to a major commercial customer were insufficient to recover variable costs.

Workers' Compensation Board, Medical Aid Branch

(4.11) • The Branch's effectiveness could be further enhanced through raising the level of operational efficiency in several areas, including long and short term planning and the production and use of reports.

3

COMMENTS ON MINISTRY OPERATIONS

3.1 Introductory Comments

Most of the comments contained in this segment of the Report pertain to audit observations and recommendations resulting from ongoing ministry audits and special reviews. The audits on which the comments are based were completed since the date of our last Report and are listed in Exhibit 6.

3.2 Accountability for Transfer Payments

INTRODUCTION

Transfer payments comprise the largest category of the Province's budgetary expenditure, and in the 1984 fiscal year amounted to $18.0 billion or approximately 73.5 per cent of the total expenditure.

In section 3.2 of our 1983 report we expressed our concern for the accountability of transfer payments and our belief that the government has the responsibility for assuring that all funds are managed with due regard for economy, efficiency and effectiveness. For the major recipients of transfer payments (hospitals, school boards, universities and colleges, and municipalities) we outlined the current status of accountability relationships, their deficiencies, and the actions being taken by the government and the ministries to address the deficiencies. The section also indicated that an interministerial task force, established to consider the government's auditing policies as they apply to recipients of transfer payments, had made recommendations for improving accountability and achieving greater consolidation and coordination of audits.

The purpose of this year's section is to provide an informational update only. For the most part, our comments are not based on regular audit activity; rather, they are based on discussions with ministry officials, review of various ministry reports and informational material, and ministry submissions to the Standing Public Accounts Committee.

CLASSIFICATION OF TRANSFER PAYMENTS

Transfer payments made directly to Ontario residents (e.g. income support, student assistance), or to individuals (e.g. physicians, pharmacists) in payment for services provided to Ontario residents,

amounted to $4.0 billion or approximately 22.6 per cent of total transfer payments. The government has complete control over such payments and should have the means readily at its disposal to be fully accountable to the Legislature.

Transfer payments to intermediary organizations or bodies, for the purpose of providing services to the Ontario public, amounted to $14.0 billion or approximately 77.4 per cent of total transfer payments. Where government programs are delivered through intermediaries the government does not have complete control over the economical, efficient or effective use of funding, nor can it safeguard the funds or ensure that expenditures are made in accordance with relevant legislation and directives. In the absence of direct control the government must seek required information and/or assurances by other means if it is to satisfy its responsibility to the Legislature.

ACCOUNTABILITY FOR PROGRAM AND ADMINISTRATIVE EFFECTIVENESS

Our comments on accountability with respect to the main "intermediary" recipients follow.

Operation of Hospitals and Related Facilities ($3,804 million)

The deficiencies in accountability relationships noted in our 1983 report related mainly to the need for further development of performance indicators and to the limited value for money audit activity at the hospitals.

In a February 29, 1984 meeting of the Standing Public Accounts Committee, held to discuss this "Accountability for Transfer Payments" section of our 1983 report, the Deputy Minister of Health informed the Committee that:

- in recent years the Ministry has, in addition to other matters, taken steps to put in place the mechanisms and incentives that will encourage good resources management and accountability within the hospital sector;
- the Ministry's approach has been to develop management strategies and cooperative approaches that can respond effectively to the pressures and demands coming to bear on the health care system;
- the Ministry is now working to develop greater precision in its methods of determining hospital allocations and its procedures for monitoring hospital performance.

In our 1983 report we noted that certain actions had been taken by the Ministry to address the deficiencies in accountability relationships.

Some further progress has been made in this regard and the current situation is as follows.

The Ministry has now fully established the concept of cluster or peer grouping of hospitals, whereby hospitals are grouped by using patient or product related criteria rather than size of facilities. This procedure has allowed the development of more meaningful performance indicators for individual hospitals and for use in peer evaluation. The quarterly hospital profile reports allow the area teams of the Institutional Operations Branch to conduct financial analyses of the hospitals throughout the year. Problem areas or areas where improvements are possible can be more easily identified and corrective action taken. Additionally, refinements have been made in the process by which the area teams evaluate the funding of new and expanded programs.

Performance indicators are presently used on a departmental basis only, but work is progressing towards the development of performance indicators on a patient or diagnosis related basis. The pilot project at Kingston General Hospital continues working towards the development of a standard costing format which allocates costs on a utilization of resource basis for each disease classification. Also, it is anticipated that the management information system being developed by the Canadian Hospital Association will provide a method of capturing costs on a patient related basis. However, as this development is presently at the pilot project stage, it will be some time before results will be available for application.

Regarding value for money audit activity at hospitals, the Ministry's Comprehensive Audit Steering Committee has progressed towards the development of a reasonable methodology for the audit approach. Our 1983 report indicated that the Committee had selected three consulting firms to extend testing on the application of the "Comprehensive Audit" concept in hospitals and to assess its potential. In the latter part of 1983 the consulting firms reported on the three projects involved. As a result of these projects the Ministry developed a manual, referred to as "A Guide to Comprehensive Auditing in Hospitals".

The Ministry decided that a further project should be undertaken to determine the viability of the Guide as a self-assessment tool. During the latter part of 1984, the three hospitals participating in the project are to test various sections of the Guide for their practicability and utility and then report possible refinements to the Committee.

General Legislative Grants, Elementary and Secondary Schools ($2,895 million)

The deficiencies in accountability relationships noted in our 1983 report related to statistical information not being used by the Ministry to

assess whether funds are being spent with due regard for economy and efficiency, and to the absence of value for money audits.

In the February 29, 1984 meeting of the Standing Public Accounts Committee, the Deputy Minister of Education informed the Committee that:

- a number of accountability techniques and processes are in place, including:
  - —local accountability, involving the publication of financial information and discussions among trustees, teachers and citizens;
  - —planning as an instrument of accountability in the implementation of new or additional transfer payment programs;
  - —accountability of directors of education through adherence to certain objectives for directors set out in the Education Act;
- when improving accountability between the government and school boards it is imperative to keep in mind that a reasonable balance between provincial and local needs and responsibilities should be maintained;
- the Ministry would welcome greater discussion of the role that audit can play in providing independent assurances to school boards and to the Ministry regarding economy, efficiency and effectiveness.

Operating Grants, Universities ($1,113 million)

Our 1983 report referred to the assertion by the Deputy Minister that university governing bodies are only accountable to the Legislature for the operation of their institutions. Further, we noted that the Ministry does not require the universities to report on how economically, efficiently and effectively the operating grants have been utilized.

In a statement to the Legislature on December 15, 1983 the Minister of Colleges and Universities stated, in part, that "... the Government maintains the view that universities are autonomous and should remain autonomous in the governance of their affairs and in ensuring that their responsibilities as institutions of higher education are discharged with integrity. . . . Nevertheless, it must be recognized that government has the responsibility to ensure that its transfer payments are spent and managed well."

In the February 29, 1984 meeting of the Standing Public Accounts Committee, the Deputy Minister informed the Committee that:

- universities recognize the reality of the fact that financial support does not come unencumbered and that there is a delicate balance between autonomy and control;
- greater accountability in universities is encouraged by:
  - —the Ministry's ongoing discussions with the Council of Ontario Universities and its subcommittees;
  - —government constraints forcing the universities into looking within themselves at greater productivity and efficiency.

Accountability and other issues are presently being addressed by the Commission on the Future Development of the Universities of Ontario. Established by Order in Council 145/84 effective January 1, 1984, the Commission is to advise the Minister on the restructuring of the university system in Ontario and present a plan of action to better enable the universities to adjust to changing social and economic conditions. The Committee is to report to the Minister in November 1984.

With regard to accountability, the Commission is to address the method of distributing university operating grants with a view to ensuring an adequate and measurable basis for public accountability, while enabling the universities to remain autonomous in discharging their responsibilities.

Operating Grants, Community Colleges ($436 million)

The deficiencies in accountability relationships noted in our 1983 report related to the lack of terms of reference for operational reviews at colleges, and to the need for further assurance that funds are being used with due regard to value for money considerations.

In the February 29, 1984 meeting of the Standing Public Accounts Committee, the Deputy Minister of Colleges and Universities informed the Committee that:

- the boards of governors are responsible to the Minister for the economy, efficiency and effectiveness of each college;
- most colleges are conducting their own localized operational reviews and, in addition, the Ministry and the Council of Regents have been discussing operational reviews for the colleges;
- initially the only accountability report colleges were required to submit was the annual audited financial statement. The colleges are now required to submit an annual multi-year planning document, are subject to visitations by the Council of Regents and are reviewing further efficiency and economy in the colleges by means of a task force composed of college and Ministry staff.

In June 1984 the task force published a report entitled "An Analysis of Unit Operating Costs in Ontario's Colleges of Applied Arts and Technology, 1978-79 to 1982-83".

The indices used in the report are based on actual costs, adjusted for various known differences among the colleges such as program mix, scale and location of operations. The indices provide a means of measuring variations in unit operating costs among the colleges.

The report does not address the methodology for carrying out operational reviews at the colleges; rather it represents only a first step in an examination of the cost-effectiveness of training practices in the college system. The report has been distributed throughout the college system for comment. The task force will review the comments received and determine how they might be incorporated into future work.

Unconditional Grants to Municipalities ($677 million)

In our 1983 report we noted two deficiencies in accountability relationships, one relating to the general lack of meaningful performance indicators in municipal government, and the other relating to the Ministry's failure to request assurances that due regard for economy, efficiency and effectiveness is being exercised in the provision of municipal services.

In the February 29, 1984 meeting of the Standing Public Accounts Committee, the Deputy Minister of Municipal Affairs and Housing informed the Committee that:

- the Ministry will assist local governments by various means to carry out their stewardship and to make the management and the administration of funds effective;
- unconditional grants are considered to be unconditional transfers, that is, there have been no strings attached to the use of the annual grants. As it is a municipal decision as to how the funds are to be spent, the main accountability for the unconditional grants transfers is at the local level of municipal government where the municipalities are accountable to their electorate;
- the approach of a hands-on, value-for-money audit of unconditional grants does not really apply. The comprehensive or value-for-money portion of a municipal audit is a municipal decision.

With respect to performance measurement in municipalities the Ministry has coordinated several seminars dealing with issues of concern to municipalities in various localities. As a result some larger municipalities are now using performance measurement techniques on an across-the-board basis and others are using the techniques on a

departmental basis. A report will be issued subsequent to the final seminar in the fall of 1984 and an implementation checklist prepared to assist the municipalities in applying the performance measurements.

Phase 2 of the 1982 study on accountability in municipalities, addressing the conduct of audits in municipalities, has been completed and a report issued. A position paper prepared by ministry staff is being reviewed by senior ministry officials.

The three-year "Municipal Action" program funds the development of staff expertise as well as projects aimed at increasing productivity and improving cost effectiveness. The program has been well received by the municipalities with over 2,000 applications for assistance received and $4 million in funding approved. The Ministry reviews and monitors the progress in implementing the projects through reports received from the municipalities. After program funding ceases in March 1985 the results of all funded projects will be reviewed, assessed and incorporated into a report expected to be issued in 1986.

The Ministry has also taken other steps to assist the municipalities, as for example:

- developing comparative cost information on various municipal services;
- having materials prepared to assist municipalities in evaluating, acquiring and installing microcomputers;
- taking the lead in coordinating the auditing of municipalities by various government ministries.

TASK FORCE ON THE AUDITING OF ONTARIO GOVERNMENT TRANSFER PAYMENT RECIPIENTS

In section 3.2 of last year's report we indicated that an interministerial task force on the auditing of transfer payment recipients had been established. In its March 1983 report the task force had suggested that, in order to improve accountability, the auditing of recipients be broadened to include the evaluation of management controls. By examining controls concerned with economy, efficiency and effectiveness, assurance would be provided as to the appropriate disclosure and fair presentation of information. Other recommendations dealt with ways to achieve greater consolidation and coordination of audits.

The Cabinet has agreed that processes to improve accountability should receive high priority and accordingly in February 1984 approved a gradual approach to implementation of the task force's recommendations. The approach is to involve a first stage of dialogue and analysis, the results of which would be used to plan the subsequent stages of implementation. It

is anticipated that this approach will result in continued improvement in accountability and enhanced value for money in expenditures.

In the 1984-85 fiscal year the first stage will involve the ministries in developing implementation plans to be reviewed by Management Board of Cabinet. The ministries are also to assemble teams comprised of transfer payment recipients, including their associations and clients, together with ministry and audit staff. The teams are to undertake exploratory work in:

- assessing the current situation;
- developing a common understanding and consensus on the goals and objectives of the recipient, the results expected and the methods of quantifying them;
- determining the steps which might be taken to improve the accountability process.

The Cabinet has designated the Ministry of Municipal Affairs and Housing as the lead ministry in coordinating the timing of individual ministry audits. The Ministry will also be responsible for pilot projects involving single audits of municipalities on a multi-ministry basis. It is anticipated that the greater coordination and consolidation of audits will improve relationships with the auditees and promote more economical use of scarce auditing resources.

During the 1985-86 fiscal year the ministries are to report to the Management Board of Cabinet on their first stage results and findings, together with specific proposals for future action.

COMMENTS AND CONCLUSIONS

We are pleased to see an increased awareness with respect to the concepts of accountability and the expenditure of funds with due regard for economy, efficiency and effectiveness. It is evident that the diffusion of these concepts throughout government has influenced the thinking and the attitudes of officials at all levels.

The Cabinet, in agreeing that processes to improve accountability should receive the highest priority, has provided impetus by approving a gradual approach to the implementation of the recommendations of the Task Force on the Auditing of Ontario Government Transfer Payment Recipients. Although the process will not be completed for some time we are encouraged by the prospect of continued improvement in accountability and in the application of value for money concepts.

The ministries have placed greater emphasis on the development of performance indicators and are conducting various pilot projects and developing methodologies that will improve accountability and enhance value for money in expenditures.

We recognize the difficulties in achieving accountability while at the same time allowing for the autonomy of the transfer payment recipients in spending the funds provided by the government. However, we believe there must be a constant striving for assurances that the funds are being spent with due regard for economy, efficiency and effectiveness. In this regard, we will continue to monitor the progress in the course of our regular ministry audit activities and report any significant matters in our future annual reports to the Legislature.

3.3 Study of Government Management Practices and Accountability

Early in 1984, two consulting firms were selected by a committee of senior deputy ministers to jointly carry out a major study of management practices and accountability. The study has been designated as the Corporate Management and Accountability Framework Study. A previous major study of government practices occurred approximately 10 years ago when an extensive review was carried out by the Committee on Government Productivity. Although the current study will not be as extensive, it is believed that some areas will benefit from detailed examination.

The primary objective of the current study is to ensure that the public receives the best possible service in the most economical manner. Consequently, the study will concentrate on three major areas:

- the government's accountability framework, to clarify the roles and responsibilities of individual ministries and central agencies such as Management Board and Treasury;
- administrative policies and practices, to guarantee that the rules encourage prudence, probity and productivity in the conduct of public business; and
- the attitudes and motivations of civil servants, to reinforce a climate that fosters innovation, creativity and a value for money approach.

A steering committee, comprised of three representatives from the private sector, the previous Provincial Auditor and three senior government officials, will oversee the progress of the study and work with the consultants to review issues and proposals.

The study is to be completed before the end of 1984 and a report prepared for the Chairman of the Management Board of Cabinet and the Treasurer.

3.4 Review of Contracts Initiated by Minister of the Crown

Questions were raised in the Legislative Assembly in October and November 1983 relating to contracts awarded to the consulting firms of Matrix Communications and Donald R. Martyn and Associates during the period when the Honourable G.W. Walker held the Ministerial portfolios of Correctional Services (CS), October 18, 1978 to April 9, 1981, Consumer and Commercial Relations (CCR), April 10, 1981 to February 12, 1982, Industry and Trade (MIT), February 13, 1982 to July 5, 1983, and Provincial Secretary for Justice, August 30, 1979 to February 12, 1982 (concurrent with CS and CCR portfolios) and July 6, 1983 to the present.

As a result, we reviewed contract payments to these two consulting firms, and also extended our review to include contracts entered into by the Minister, with two other consultants. The results of our review were reported to the Secretary, Management Board of Cabinet.

Our objective was to assess compliance with established policies and procedures in the purchase of services, primarily those initiated by the Minister from: (1) Matrix Communications; (2) Donald R. Martyn and Associates; and (3) other consulting firms.

Our conclusions and findings are summarized as follows:

Matrix Communications

The Ontario Manual of Administration (OMA) does not specifically identify speechwriting as a purchased service covered by its policy on creative communications. While the definition of Creative Communications Services in the OMA (50.6) could be interpreted to cover speechwriting, the matter was not conclusive and required further clarification.

Donald R. Martyn and Associates

In our opinion, established policies and procedures were not followed in obtaining certain services rendered by this firm.

- Consulting services ($75,461) regarding the establishment of a Technology Centres Program were not tendered, nor was an exemption from tendering obtained from Management Board.

  The Minister, however, did not feel that the provisions of the OMA (50.3) applied in this instance.

- Services for redesigning the Minister's reception and lobby area ($15,925) were not obtained in accordance with the OMA policies (50.4). This project was discontinued prior to completion.

The Minister, however, felt that the hiring of this consultant was justified in the circumstances.

Other Consulting Firms

- A consulting firm was awarded two consecutive agreements totalling $29,670 for the scripting, research and production of a film detailing Ontario's high tech initiatives. Tenders were not called for this project nor was an exemption from tendering obtained from Management Board. However, the unusual circumstances involved were certainly a mitigating factor.

- Another consultant received a total of $22,725 under two consecutive agreements for services which included advising on public communication strategy, developing and supplying communications policy, and making recommendations for a policy-based communication program. Tenders were not called for this project nor was an exemption from tendering obtained from Management Board.

While in our opinion these engagements fell within the defined category of management consulting services, the Minister did not feel that the situation was covered by the OMA.

Other Matters

We found that prudent management practices were not always followed in contracting and managing projects.

- Agreements were not formalized in writing for a number of projects;

- Some agreements examined did not specify a total estimated cost for the project, and billings from certain consultants did not provide sufficient detail to enable verification of the terms of agreement;

- Consultants' performance was not usually evaluated in writing.

The specific instances of these summarized findings are included in the relevant sections of the Detailed Commentary.

General

- **We sensed a tendency to take a very literal view of the OMA and if the situation at hand was not specifically addressed, it was assumed that the OMA policies did not apply.** A possible

solution would be to promote the concept of following the spirit or intent of OMA policies, recognizing that every conceivable situation cannot be specifically defined and covered.

- We also sensed a reluctance to approach Management Board in urgent situations for fear that the delay factor involved could jeopardize the successful resolution of the problem. We suggested an additional OMA directive which would include an emergency procedure whereby a Minister, in need of a decision on such a proposed expenditure, could be assured of a brief turnaround time for an answer from Management Board.

- A question arose as to the extent to which Ministers should be conversant with the OMA. If they rely on their Deputy Ministers and/or administrative staff to ensure compliance, a difficulty is seen where the Ministers or Ministers' Officer initiate action which is not processed through the administrative systems of the Ministries.

We recommended that Management Board consider these matters and the advisability of developing appropriate statements or guidelines.

During our discussions with the Minister he stated that it was never his intention to circumvent the policies of the OMA in the purchase of any of these services. The Minister felt that if there were instances of non-compliance they resulted from oversight and conditions of urgency.

The Minister emphasized that in all of the cases discussed the Ministries involved had obtained good value for the money expended. Nevertheless, we felt strongly that the pursuit of value for money should not preclude compliance with the OMA. Furthermore, it was our opinion that compliance with the OMA should in fact contribute to better value for money overall.

DETAILED COMMENTARY

Matrix Communications

Speechwriting

Payments for speechwriting and other communication services were as follows:

Dec. 1978-Aug. 1981	Correctional Services	$ 67,488
Apr. 1981-Mar. 1982	Consumer and Commercial Relations	28,899
Mar. 1982-June 1983	Industry and Trade	149,395

Aug. 1979-Feb. 1982	Provincial Secretariat for Justice	—
July 1983-Oct. 1983	Provincial Secretariat for Justice	—
		$245,782

Note: $6,189 of the above represented services for Ministers other than the Honourable G.W. Walker.

Matrix Communications was hired by the Minister for speechwriting and other communication services. These services included news releases, speaking platforms, preparation of presentation kits, slide shows, brochures and pamphlets, project planning and other communication tasks. Competitive selection procedures were not followed in hiring this consultant for several projects exceeding $15,000.

The OMA (50.6) defines Creative Communications Services as advertising, promotion, public relations and creative communications research and requires that competitive selection procedures be followed in awarding contracts over $15,000 in these categories.

While the OMA does not specifically identify speechwriting, it would seem to fall within the realm of public relations. We discussed this matter with staff of Management Board Secretariat and it was their opinion that speechwriting is covered by the creative communications policy. On the other hand the Minister felt that the absence of specific reference to speechwriting in the OMA (50.6) was recognition that a competitive selection process is not appropriate for such a personal matter.

In our opinion, the application of the OMA (50.6) was open to question and the issue required clarification. In this connection, we noted that the Chairman of Management Board stated in the Legislature on November 4, 1983, that he had directed his staff to review the communications policy with particular emphasis on the possible need to address speechwriting in a more specific manner. The Executive Coordinator, Management Policy Branch of the Secretariat, informed us that a review of the communications and other OMA policies was underway with completion expected about the end of the 1984 fiscal year.

Writing Costs re Minister's Book

The extent to which the speechwriting function of Matrix Communications was separated from the book writing services provided to the Minister was questioned in the Legislature on November 4, 1983. In our examination we found no evidence that any billing submitted by this consultant included charges relating to book writing services for the Minister.

Speechwriting Practices in Selected Ministries

Questions in the Legislature on October 21, 1983 related to speechwriting services and whether ministers, in general, normally contracted for these services. In this regard, we contacted senior communications staff in five selected ministries to enquire what practices were followed in their respective ministries for speechwriting services:

- Three ministries (Attorney General, Education, and Municipal Affairs and Housing) did not use external consultants for speechwriting services.
- Two ministries used both external and internal resources for speechwriting. For external contracts, the Ministry of Agriculture and Food rotated speechwriting assignments among a number of consultants. Each speech was purchased as a separate project, with no speech exceeding $1,000. The Ministry of Energy tendered for all external speechwriting engagements in excess of $15,000 each.

The results of our survey indicated that no single practice was used across government for hiring speechwriting services.

Additional Considerations

Although most of the engagements with Matrix Communications were by written agreement, services provided to the Ministry of Correctional Services between December 1978 and June 1979 were on a verbal basis. The Ministry of Consumer and Commercial Relations could not locate an agreement for services provided between April 1981 and March 1982. Without written agreement, the basis for legal enforcement is weakened, and there is no assurance that both parties understand and agree to the terms of engagement.

While some agreements examined specified the total estimated cost of the project, others stated only an hourly rate for services to be provided during the contract period. We felt that wherever possible the total cost, or cost estimate, should be incorporated into the project agreement as a basis for budgetary and project cost control.

We recommended that Management Board Secretariat address these concerns in their review of OMA policies.

Donald R. Martyn and Associates

Technology Centres Program

In an exchange of letters in April and May 1982, the Honourable G.W. Walker, Minister of Industry and Trade (MIT) and Donald Martyn

agreed that Donald R. Martyn and Associates would provide consulting services in establishing the Technology Centres Program. These services included the development of a Technology Centres Branch and the development, coordination, opening and marketing of the Technology Centres. The consultant received $75,461 under this agreement for services provided between May 1982 and May 1983.

The OMA (50.3) requires that management consulting projects in excess of $15,000 be tendered or that the prior approval of Management Board be obtained for an exemption from tendering. Neither of these requirements were met in contracting services for this project.

In our discussions with the Minister, he expressed the opinion that this particular problem of establishing the Technology Centres did not fall within the OMA (50.3) definition of "management problems". He felt that this was a specific operational task which would normally be conducted internally. He explained that external services were purchased because there was insufficient expertise within the reorganized Ministry, at the time he assumed ministerial responsibility, to complete the task before the announced opening dates of the Centres.

However, it was our view that a broader interpretation was intended by the OMA policy on Management Consulting and that this project should have been subject to its requirements even given the extreme urgency of the situation emphasized by the Minister. Exemption from tendering could have been requested on that basis.

The OMA policy also states that wherever possible a ceiling price be set out in contracts. **The letters of agreement specified an hourly rate for services to be rendered but did not identify the total estimated cost of the project.** Additionally, the consultant's monthly bills showed only a total dollar amount without details of hours worked. In the event that a ceiling price cannot be determined, we felt that billings at least should be detailed in accordance with the terms of agreement to provide a basis for monitoring and control.

Redesign of Minister's Reception and Lobby Area

Donald R. Martyn and Associates were hired by the Minister's Office of the Ministry of Industry and Trade to redesign the Minister's reception and lobby area. **There was no signed agreement on file in the Ministry.**

The design work, started in December 1982, was already well underway when the Ministry's Management Services Branch (MSB) became aware of the project in March 1983. MSB immediately informed the Design Branch of the Ministry of Government Services (MGS) of the existence of the project and requested a review of the design work.

Subsequently the project was discontinued before completion because of design problems identified by MGS, high cost and the effect on the design of a change in the Ministry's official colour scheme. The consultant received $15,925 for work done on this project.

The OMA policy on Technical Consulting Services (50.4) states that "Only the Design Services Branch of the Ministry of Government Services may engage interior design consultants." **The direct hiring of this consultant for interior design work by the Minister's Office without the prior approval of Management Board was a deviation from this policy.**

The Minister explained that Martyn and Associates had been involved with the Technology Centres Program and it was considered appropriate to have the "Technology" theme incorporated into the redesign of the reception and lobby area. **Consequently, in the Minister's opinion, it was logical to have the same consultant carry the concept through to the design project. He also felt that the relevant section of the OMA was not applicable in the circumstances.** However, we had difficulty accepting the Minister's position and again felt that a request for exemption from this OMA directive was warranted.

Other Consulting Firms

In July and August 1982 the Minister's Office of MIT arranged two consecutive agreements with a consultant. These two agreements related to the production of a high tech film and although neither exceeded $15,000, total payments amounted to $29,670. **No tenders were called for this project and no exemption from tendering was requested from Management Board.**

The Minister explained that the second agreement was not anticipated at the time of the first engagement. However, additional work was required on the film production because the consultant had been inadvertently supplied with wrong information by the Ministry. It could be argued that when it became evident that the project would exceed $15,000 and prior to the reengagement, a request for an exemption from competitive selection should have been made to Management Board. **However, because of the extenuating circumstances, we were unable to be critical of the Minister's failure to do so.**

A second consultant was engaged by the Minister of Industry and Trade on two consecutive projects relating to communication policies in the Ministry. The agreements dated August and November 1982 were for $14,999 and $9,000 respectively, with actual payments totalling $22,725. **No tenders were called for this project and no exemption from tendering was requested from Management Board.**

According to the Minister, this consultant was hired to fill the temporary position of Special Assistant to the Minister and not as a consultant. He was being considered for a permanent staff position, and with this in mind the

Minister renewed the agreement for a further three months at the expiry of the original engagement. The Minister was of the opinion that the OMA does not cover an engagement of this nature.

The letters of agreement, however, were with the consultant's firm and in our opinion fell within the category of management consulting services as defined in the OMA. Consequently, in order to avoid the appearance of a fragmented contract, we were of the opinion that an exemption from tendering should have been obtained from Management Board prior to the reengagement.

Evaluations of Consultants' Performance

In our review of consulting projects in the three ministries, we found that it was not the general practice to prepare a written evaluation of the consultant's performance at the completion of each project.

The Creative Communications Services section of the OMA includes a control requiring ministries to retain records documenting suppliers' service performance. The OMA section for Technical Consulting Services also has policy requiring performance evaluations. Although this control is not specifically identified in the OMA section for Management Consulting Services, we felt it to be a useful management tool for such purposes as evidencing the degree of value for money obtained and as a reference for future consulting engagements.

We therefore recommended that performance evaluations be specifically addressed in the Management Consulting Services section of the OMA.

On May 31, 1984, the Secretary, Management Board of Cabinet wrote us as follows:

> *"I would like to respond to your audit report on a special review of payments to Matrix Communications and Donald R. Martyn and Associates. This report deals with two matters; the assessment of compliance with established policies and procedures in the purchase of services, primarily those initiated by the Honourable G.W. Walker and a series of recommendations to improve the clarity and effectiveness of the Ontario Manual of Administration (O.M.A.).*
>
> *"On the latter point, I would like to confirm that the Secretariat is actively addressing the series of recommendations which have been made on improving the O.M.A. We are strongly supportive of the principles upon which the recommendations are based, and alternative proposals are being developed to improve and clarify the*

Manual. However, it has been decided to withhold final approval of these proposals pending the completion of the work by the consultants on the management and accountability framework.

"As you are aware, the consultants have been asked to make recommendations on the content and application of the O.M.A. in order to enhance service to the public, while at the same time promoting improved probity and prudence in the conduct of the day to day affairs. As a consequence of their assignment, a number of draft revised policies have been put 'on hold' until the consultants' recommendations are received and considered. These revisions include Technical Consulting Services, Systems Development Services, Management Consulting Services and Creative Communication Services.

"I will correspond with you later this year on the specific action which the Management Board decides to take on these and other policies.

"In terms of some of your more general observations, the Chairman of Management Board has written his Cabinet Colleagues on the matters of urgent situations and knowledge of the detailed provisions of the O.M.A. On the question of urgency, the Chairman has clarified that a process does exist for rapid response on items where the public interest requires speedy action and a Management Board decision is required.

"The Chairman has indicated in his letter to Ministers that the complexities of the Manual argue for referring most contracts to administrative staff who are familiar with detailed provisions of the O.M.A. Thus, he has suggested that they refer most requests for staffing and the acquisition of goods and services to the Deputy Minister or appropriate financial and administrative officers in the ministry. The Chairman acknowledges that there will be certain routine situations which will not require this approach, but that it provides greater assurance of consistent compliance.

"On the matter of the individual purchases of service, I met with the Honourable Gordon Walker and Dr. E.E. Stewart, Deputy Minister to the Premier, on May 15, 1984 to discuss the content of your report. Mr. Walker described the contacts with your staff in January and expressed considerable satisfaction that you had included a significant

number of his comments and recommendations in your audit report. He asked me to confirm that his January replies constitute his formal position on these matters as he viewed them at that date. As a result of your audit report, he has a supplementary response which I will outline for those purchase of service contracts where your report expresses concern.

"On the speechwriting and other communication services contracted to Matrix Communications, you note that the application of the O.M.A. is open to question and the issue requires clarification. As indicated earlier, I will advise you later in the year on the action taken by the Board on the Creative Communication Services policy in the O.M.A.

"In the meantime the Minister has instructed his staff to engage speechwriters on a roster basis, which is completely consistent with the spirit of the policy.

"The Minister was pleased to note that your audit found no evidence that any billing by Matrix Communications included charges relating to book writing services.

"On the contract with (another consultant), your report notes that because of extenuating circumstances, you are unable to be critical of the Minister not requesting an exemption from tendering.

"The remainder of the Minister's response relates to both the contracts with Donald R. Martyn and Asssociates and the two projects with (the last named consultant).

"The Minister's position in January and your reflection of his replies in your audit report, clearly indicate that he believes he was not acting in contravention of the O.M.A. However, the Minister accepts that the Provincial Auditor's observations in these specific instances are the final word. As a consequence, he is committed to adhering to your recommendations in all future transactions. He has requested his Deputy Minister to carry out the appropriate contractual arrangements on his behalf consistent with the O.M.A. and your specific observation.

"I trust that you will find this response addresses the comments and recommendations outlined in this special review. Mr. Walker and I would appreciate if you would let us know if any further followup is required. I would be pleased to provide additional information as required and

will reply in more detail on revisions to the O.M.A. later this year."

3.5 Lack of Approval for Major Construction Projects at Horticultural Research Institute of Ontario, Ministry of Agriculture and Food

A recent Ministry audit covered various aspects of the operations of the Horticultural Research Institute of Ontario, a component of the Ministry's Education and Research Division. **During the course of our audit, we noted that Management Board approval was not obtained for two major construction projects.**

DETAILED COMMENTARY

Overview

The Horticultural Research Institute of Ontario conducts a wide range of breeding, production, storage and processing research studies aimed at increasing productivity for the commercial growers and processors of horticultural crops. These crops are comprised of fruits, vegetables, ornamental plants and flowers, and shrubs. In addition, the Institute provides extension services to the industrial and horticultural community.

The Institute consists of four units. Two are located at Vineland and the others are at Simcoe and Bradford. The Institute expended $3.4 million on horticultural research in the 1984 fiscal year.

Horticultural Products Laboratory

In 1981, the Institute, recognizing the need to improve storage techniques for fruits and vegetables, prepared plans for four laboratory and storage projects. The cost of these four projects was estimated by the Institute and the Ministry of Agriculture and Food to be $1,100,000.

The largest undertaking of the four projects was a Horticultural Products Laboratory (HPL) which is a facility consisting of a number of atmospherically controlled storage areas to be used to study and improve the methods of storing Ontario grown produce. **The estimated cost of HPL was $870,000.**

Capital expenditures for construction projects having an estimated cost exceeding $400,000 require certain submissions to Management Board, and specific approval of the Board. These procedures are described in the Ontario Manual of Administration and were clarified in guidelines developed by Management Board Secretariat and circulated to all Ministries in 1981. Generally, most planned construction projects are submitted by the

Ministry of Government Services (MGS) to Management Board in the annual Accommodation Program Plan.

The Ministry of Agriculture and Food submitted their construction plans and cost estimates for the four projects to MGS with a request to commence construction. On receipt of the Ministry of Agriculture and Food's initial estimate of $1.1 million for the four projects, MGS had informed Management Board of the proposed projects and stated that they would be included in their Accommodation Program Plan.

MGS subsequently reviewed the plans and cost estimates and concluded that the estimated cost to construct only HPL would be more than double the estimated amount of $870,000 of which Management Board had been advised. As the Ministry of Agriculture and Food had available funding of only $1.1 million, they decided to allocate all funds to HPL with the funds needed to complete the project to be requested in future appropriations. The Ministry decided to fragment the construction of HPL into three separate phases in order to allow "for the actual construction of one phase while another phase was in the design or tender stage."

While the HPL project was included in the MGS Accommodation Program Plan at the original $870,000 estimate, specific Management Board approval was not obtained by either Ministry.

Greenhouse Research Facilities

We also noted that the Ministry of Agriculture and Food proceeded with a greenhouses construction project which was similarly not approved by Management Board.

In early 1983, the Institute completed a project for the demolition of three old greenhouses and the construction of five new energy efficient interconnected greenhouses at a cost of approximately $600,000. The project was funded by the Ministries of Energy and Agriculture and Food. In late 1983, the Ministry of Energy offered the Ministry of Agriculture and Food an additional $400,000 to replace three more greenhouses on the condition that the funds be spent before the end of the 1984 fiscal year.

Both projects were fragmented into a number of phases. While MGS assisted in the preparation of tenders, the ongoing monitoring and liaison with the various construction contractors was provided by the Institute. **We saw no evidence that these projects were approved by Management Board as required by the Manual of Administration and related guidelines.**

The preceding comments were included in a report dated September 26, 1984. Since the Ministry has not had sufficient time to respond, we are unable to present its views on the subject matter.

3.6 Potential for Improved Delivery of Apprentice Training Program, Ministry of Colleges and Universities

One segment of a recent audit of the Ministry dealt with the apprentice training program, and included assessments of:

(a) the adequacy of procedures in place to ensure due regard for economy and efficiency in the delivery of the program, and

(b) the adequacy of procedures in place to measure and report on the effectiveness of the program.

Our conclusions and major findings were as follows:

(a) Procedures relating to a significant component of the program, the scheduling of apprentices for in-school sessions, did not ensure due regard for economy and efficiency.

- **The Ministry's inability to fill the reserved training places has resulted in the Province not recovering from Canada approximately $3.7 million for the two year period ended March 31, 1984.**

(b) Intended program effects had been identified by the Ministry and, within the next year, will be used to assess and report on program effectiveness. Therefore, it was too early for us to assess the adequacy of these procedures.

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

Apprentices' training in Ontario is governed by the Apprenticeship and Tradesmen's Qualification Act and the regulations thereto. The training programs which are planned and carried out in accordance with the Act include institutional training, usually at Colleges of Applied Arts and Technology either on a full-time basis two or three times during the apprenticeship period, or on a part-time course schedule.

Using predetermined per diem prices, grants to cover the operating costs of the apprentice training are paid to the colleges according to the number of training places reserved by the Ministry. Reimbursements from Canada under the Adult Occupational Training Agreement are made to the Ministry based on actual training places occupied. For the 1984 fiscal year, expenditures by the Ministry totalled approximately $27.4 million.

Economy and Efficiency

In order to provide the theoretical and academic aspects of the apprentice training program, the Ministry undertakes negotiations with the

colleges and guarantees the payment of a minimum number of training places or the actual training places occupied whichever is greater. On the other hand, reimbursements by the federal government relating to this program are based only on actual training places occupied.

Since the colleges require the guaranteed training places as a "break-even" point and the Ministry has accepted this condition, the onus to fill training places falls on the Ministry.

In a 1979 report to the Ministry, we noted that "the inability of the Ministry to fill the reserved training places resulted in a net monetary loss to the Province of $1,745,000 for the three year period ended March 31, 1979". The Ministry's response was that:

> "An improved computer program is currently being developed to computerize the scheduling of apprentices for in-school training — a task which has been done manually. This new computerized scheduling process will respond more quickly to cancellations and find replacements more effectively."

Our current review indicated that the Ministry was still unable to fill the reserved training places. This has resulted in the Province not recovering from Canada approximately $3.7 million for the two year period ended March 31, 1984. In this regard, management advised us that:

1. The Ministry does not have complete control over apprentices who have failed to respond to call-in notices, or who have responded but failed to attend the in-school training.
2. The poor economic conditions in recent years have resulted in some apprentices being laid off and attending an in-school session earlier than scheduled. This results in underutilization for the sessions these apprentices were originally scheduled for.
3. It is sometimes difficult for both employers and apprentices to break a work period for an in-school training session at the times scheduled by the Ministry.

As in our 1979 report, we again recommended that the in-school scheduling and the reserved training places procedures be studied with a view to increasing the responsiveness of the apprentice.

On July 30, 1984, the Deputy Minister replied as follows:

> *"Apprenticeship training is the responsibility of Ontario under the Apprenticeship and Tradesmen's Qualification Act. The cost must be borne by Ontario whether or not any part is reimbursed by Canada. The fact that Canada, under the National Training Act, reimburses only part of*

Ontario's expenditure does not result 'in a net monetary loss to the Province'. Canada's program and Ontario's program are two distinct and separate programs; one cannot be measured by reference to the other.

"While 100% seat utilization in the 'in-school portion' of apprenticeship training has not been achieved, seat utilization alone is only a partial measure of program efficiency. Costs are not determined by the number of seats filled; they are determined by other factors which include the number of sections provided. This matter is being addressed through the college system and significant productivity improvements have been made over the past several years."

Program Effectiveness

The overall objective of the apprentice training program is to provide training programs, consultant and administrative services to individuals and employers involved in skills training in order to enhance trade skills and employment in Ontario.

For purposes of measuring and reporting on the effectiveness of the program, the Ministry has identified a number of intended program effects, such as decreased requirements for off-shore skilled labour and decreased skill shortages in various service and industrial occupations. We understand that within the next year the Ministry will be assessing and reporting on whether these program effects are being achieved.

Deputy Minister's reply:

"In identifying 'intended program effects' we will have to bear in mind that apprenticeship is essentially reactive to economic conditions. Our Branch Review makes the point that: no commitment is intended . . ., but rather the levels indicated are those anticipated . . ., such anticipation having a wide margin for error as do many other economic projections."

3.7 Audit of Children's Social Services Activity, Ministry of Community and Social Services

An objective of a recent audit of the Children's Social Services Activity, with expenditure of $433.8 million for the 1984 fiscal year, was to assess the adequacy of the management information and financial control systems in place related to the economy/efficiency of the Activity's operations.

We noted that the Ministry's Operational Evaluation and Audit Branch had conducted extensive audit work in this area. Consequently, our examination was confined to a review of the related audit reports and working papers.

We concluded from our review of the Branch's work that the management information and financial control systems in place for this Activity were generally functioning adequately. However, a number of control mechanisms required strengthening.

DETAILED COMMENTARY

Overview

The Children's Social Services Activity provides a wide variety of support services to children and their families both directly and through the funding of agencies such as Children's Aid Societies, Day Nurseries, Children's and Youth Institutions and Community Mental Health facilities.

The following significant audit findings were extracted from the Branch's audit reports and files pertaining to the Children's Social Services Activity.

Child Welfare Services

The Branch had completed reviews of 39 of the 51 Children's Aid Societies up to April 1984, with nine final reports being completed and issued in the 1984 fiscal year. We reviewed the nine reports and noted the following weaknesses which were common to more than one society:

—Societies needed to develop indicators and measurements with which to measure the quality and effectiveness of program delivery.

—Case recording and file documentation required improvement.

Children's and Youth Institutions

During the 1984 fiscal year 13 of these institutions were audited. The reports indicated that there were no serious operating problems, but the following deficiencies were common to the majority of the institutions:

—There were no documented policies and procedures governing the financial management and control functions.

—Regulations under the Children's Institution Act require the licensed public accountant to express an opinion on the accuracy of the provincial subsidy for that year. Generally, this was not being complied with.

We noted that formal replies to the audit reports were not received from these institutions although we understood that general agreement with the findings and recommendations was verbally acknowledged at the close of the audit.

Community Mental Health Facilities

An audit of the Community Mental Health Facilities program was planned by the Operational Evaluation and Audit Branch for the 1985 fiscal year. On request of the Toronto Area Office, an audit of one remedial nursery school was completed in the 1984 fiscal year arising from the concerns of the Toronto Area Office regarding the financial management of the school. The audit indicated financial irregularities and mismanagement of the school.

A hearing was held pursuant to section 7 of the Children's Mental Health Services Act in late 1983, and on March 27, 1984 a report was issued to the Ministry. The members of the Review Board found that the school was not financially capable of establishing, maintaining and operating a children's mental health centre, and that its affairs were not carried on under competent management nor in good faith. Upon the recommendation of the Review Board the Ministry revoked the approval of the school for the purposes of the Act and funding ceased as at March 31, 1984.

Central Region Audit

The audit report issued in October 1983 stressed the need for interaction among the various levels of accountability and responsibility within the Ministry. Regarding controls over transfer payments which form 83 per cent of the expenditure of the Children's Social Services Activity, the report indicated that:

—**Mechanisms required strengthening to provide improved financial and administrative controls over funded agency programs.**

- **Accounting and reporting standards for transfer payment recipients were not defined adequately, and the information available from audited financial statements did not meet Ministry requirements.**
- **Standards and guidelines were not in place to assist Area Offices in reviewing and reporting on transfer payment programs.**
- The lack of resources allocated to the review of transfer payment programs by Area Offices resulted in reviews being undertaken in response to irregularities or problems rather than on a planned systematic basis. In this regard, only 3 per cent of Toronto Area programs were reviewed in the 1983 fiscal year.

The Deputy Minister wrote to us on September 26, 1984 and advised that:

General

> *"As noted in the (report), the Provincial Auditor has for the first time with respect to MCSS substantially relied on the work of the Ministry's Operational Evaluation and Audit Branch in conducting his annual audit given the extensive audit work conducted by the Branch in the area under review. This reflects positively on the Ministry's recognition of the internal audit function as a significant resource to senior management. Through the Audit Committee, chaired by the Deputy Minister, audit priorities are identified so that Ministry senior management has an ongoing assessment of areas of strength and weakness in order that corrective action can be taken in a timely fashion. The Audit Committee, through the Operational Evaluation and Audit Branch, also monitors follow-up action in response to specific recommendations.*
>
> *"Within this context, the various internal audit reports from which the specific findings have been drawn have all been considered by senior management and initiatives have been taken within the Ministry to address these issues . . ."*

Child Welfare Services

> *"The Ministry, within the context of the services approach to funding and the introduction of reporting requirements, has applied considerable effort to the development of appropriate management indicators. Significant progress has been made with respect to defining services to be delivered and in obtaining consistent indicators on agency operations. However, the assessment of 'quality of service' and 'effectiveness of program delivery' within social services requires substantial subjective judgment. Thus, while the Ministry is committed to continuing to work with the agencies in this area, the difficulty of determining valid and measurable indicators cannot be underestimated.*
>
> *"As noted (in) the comments on the Central Region Audit, the Ministry is specifically examining approaches to ensuring that agencies have adequately addressed these requirements (case recording and file documentation) in the context of a review of the role of program supervisors to advise, supervise and inspect."*

Children's and Youth Institutions

"It is important to recognize that this finding (#1) refers to the existence of policies and procedures within the individual agencies governing their internal operations. As noted in the report, the findings have been discussed with the individual agencies and follow-up action will be monitored.

"This issue (#2) is being addressed through the introduction of the Annual Program Expenditure Report — see comments Central Region Audit."

Community Mental Health Facilities

"Given the nature of the findings, it should be made clear that the audit of the particular agency in question was specifically requested based upon concerns identified by the Area Office. The Ministry's action in response to the audit findings has been noted in the Provincial Auditor's report."

Central Region Audit

"(The conclusion and first two findings) are related to the general issue of developing a clear understanding with agencies and Ministry staff of the Ministry's expectations in the areas of financial and administrative control. This issue is being considered at a macro level in the context of a Ministry review of the nature of the accountability relationship between the Ministry and our funded agencies. In particular, the roles and responsibilities of agency Boards are being examined. The results of this review will provide the framework for future discussion with the agencies.

"At a more specific level, the Ministry has extended the services funding approach to Children's Mental Health Centres and Children's and Youth Institutions since the audit work was done and is in the process of extending this approach to all children's services programs. The services funding approach provides for the establishment of mutually agreed upon service and financial targets with the agencies, as well as establishing in-year financial reporting requirements to facilitate Ministry monitoring.

"The Ministry has also undertaken two reviews to clarify Ministry expectations of the role of our program

supervisors. The first deals with the monitoring, supervision and inspection of agency service delivery and the second deals with their role regarding budget negotiation and financial administration of funded agency programs. The question of case monitoring identified in the CAS operational reviews is specifically addressed in the first study in terms of establishing approaches to monitoring of agencies. It is expected that the results of these two reviews will serve to significantly clarify Ministry requirements and the recommendations coming forward will be a high priority with Ministry management.

"(The issue of information from financial statements not meeting Ministry requirements) is related to the similar finding in the Children's and Youth Institutions audit. The Ministry has recognized that an agency's audited financial statement is essentially prepared for the purposes of the Board of the agency and as a consequence are not well suited to the purposes of providing assurance with respect to the reconciliation with Provincial accounts. Therefore, while the Ministry will continue to require audited financial statements as an indicator of agency financial viability, we are introducing for 1984/85 the requirement that private non-profit agencies also complete and have certified by their auditors an Annual Program Expenditure Report which will facilitate reconciliation with Provincial accounts and assurance of the accuracy of the Ministry subsidies.

"It should be noted that the reviews to which the (final) finding applies are over and above the normal monitoring of an agency's operations which take place as part of budget negotiations and ongoing interaction between the program supervisors and the agencies. As discussed above, the Ministry is applying particular attention to clarifying and strengthening the management of the service delivery system. Our interest lies in ensuring that the mechanisms are in place to identify problems on a timely basis so that action can be taken as required. With this in mind, the Ministry's objective is to work with agencies so that those requiring more intensive review and direct Ministry involvement remain the exception."

3.8 Review of Computer Controls, Ministry of Community and Social Services

During an audit of the Ministry's electronic data processing (EDP) activities and associated controls, we assessed the adequacy of:

(a) EDP policies, planning, standards and procedures, and

(b) controls over the provision and use of EDP resources.

Our conclusions were as follows:

(a) Management controls over the policy and planning functions were good. However, several standards and procedures had not been established and documented.

- **There was no written contingency plan covering internal Ministry actions in the event of a disaster or a degraded processing situation.**
- **Access to production programs and documentation for change control procedures were in need of improvement.**
- **Policies for security and privacy of data had not been developed.**

(b) Reasonable controls were exercised over the use and cost of EDP facilities. However,

- **Substantial savings could be effected by reducing data storage costs;**
- **The employment of consultants caused concerns related to the Ministry's dependence thereon and the associated higher costs.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

The Management Information Systems Branch (MISB) was formed when the Systems Management and Co-ordination Branch and the Management Service Unit merged in 1981-82. It also underwent a recent reorganization (April 1983) to reflect the decentralized operation of the Ministry.

The mandate of the MISB is "to assist the Ministry in achieving its corporate objectives through the management of its information resources". In carrying out this mandate, MISB provides computerized information systems, offers consultation and technical support, conducts feasibility studies, maintains operational systems and provides information to all levels of management to support decision making.

EDP Policies, Planning, Standards and Procedures

Policy and Planning Functions

A Management Information Systems Committee chaired by the Assistant Deputy Minister, Finance and Administration Division and consisting of senior ministerial staff was in existence. This Committee met on a regularly scheduled basis to discuss strategy, policy, planning and progress of EDP activities within the Ministry. Formal minutes were kept and decisions and actions taken were recorded.

A "Strategic Plan" for the Ministry was in the process of preparation and scheduled to be finalized in October 1983.

In our opinion management controls over the policy and planning functions were good.

Contingency Planning

The Ministry had produced an excellent "Catalogue of EDP Systems" dated April 30, 1982 wherein all EDP systems were, amongst other attributes, assessed on levels of exposure to risk and impact of failure or delay of running the system. **In our opinion, should a disaster occur at the main processing site the Ministry was well prepared to advise on those systems where continued processing was critical.**

There was no written contingency plan which would be implemented in the event of a disaster or degraded processing situation. In addition to identifying critical applications it is necessary to plan for alternative processing facilities and clearly outline the duties and responsibilities of various personnel.

The Ministry had identified the Leaside Computing Centre as their alternative processing site. However, the impact of the move of this site to Kingston, Ontario had not been evaluated. We were advised that discussions were currently underway with the Ministry of Government Services and others to resolve this issue.

We recommended that, regardless of the outcome of discussions concerning the alternative site, the Ministry:

- prepare a contingency plan covering internal Ministry actions; and
- continually monitor and amend the plan in the light of changing systems and technology.

Change Control Procedures

Application system maintenance activities were carried out by MISB staff at two locations. **We were unable to find any documented change**

control procedures at either location. In addition, there was no central librarian function. Production versions of programs were accessed, changed and returned to production libraries by MISB staff.

We were advised that as part of the reorganization of MISB a central library and maintenance function would be established. Also MISB was in the process of consolidating maintenance activities.

We recommended that:

- programmer's access to production programs be restricted; and
- change control procedures be documented.

Security and Privacy Policies

At the time of the audit, the Ministry was in the process of implementing additional security to protect its EDP resources but **there were no policies regarding security or the privacy of information for the Ministry. Data administration issues, particularly the right of access to specific information and the ownership of data, were not addressed.**

Since data is a corporate asset which many people may use, it is vital that the ownership of the data is clearly defined, requests to access data are evaluated, and directives regarding the final disposition of the information (e.g. printouts) are given.

We recommended that the Ministry:

- establish policies which address the privacy and security issues; and
- institute a data administration function.

On December 19, 1983, the Deputy Minister replied as follows:

"As regards your comment that standards and procedures need to be established or formalized and documented, our Management Information Systems Branch has recognized this need for some time and in order to reduce our vulnerability in this area has adopted a strategy to concentrate first on the development of detailed design standards for the two major systems being developed, namely, CIMS and MOPS. Documentation of these standards is now being completed.

"From these detailed standards, the Branch will distill the minimum standards required for all new systems to be developed. These minimum standards will form part of a branch standards manual which has been given high priority in the Branch. Adherence to the standards will be

part of the quality assurance process which has already been established."

Provision and Use of EDP Resources

Data Storage Costs

The Ministry used the Queen's Park Computer Centre facilities for EDP and paid $2.4 million during the 1983 fiscal year and $.7 million during the first quarter of the 1984 fiscal year. Our examination of the computer charge details included job resource, time-sharing option, online disk, magnetic tape and miscellaneous charges incurred by the Ministry.

We observed that the Ministry obtained discounts of approximately $.9 million. This was due to the processing of data under a lower priority (i.e. overnight class) and volume discounts.

In our opinion, reasonable controls were exercised over the use and cost of computer facilities. However, it was our opinion that further cost savings in the use of online data storage could be achieved.

We found hundreds of data sets which were unused for many months stored on expensive disk or mass storage devices rather than on less expensive magnetic tapes. We also noted that a number of empty or small data sets occupied unnecessarily large disk space. **According to our estimates the proper maintenance of the disk data sets alone, would easily save over $100,000 per year.**

The monitoring of computer usage and associated charges requires review of the invoice by the user managers and the technical support section of MISB. However, not all user managers received the computer charge details which substantiated the invoice received from MISB.

We recommended that MISB:

- review the disk data set storage practices with a view to reducing costs; and,
- provide detailed computer charge reports to all user manager areas so that they may verify the charges.

Acquisition of Resources

(a) Dependence on External Consultants

During the 1983 fiscal year the Ministry spent approximately $2.4 million on salaries and benefits for MISB personnel and $3.0 million for systems development and management consulting services for EDP activities.

At the end of August 1983, MISB employed 27 ministry staff in the system

development and maintenance areas. In addition, the Branch employed 58 consultants at a much higher level of compensation.

The majority of these consultants were employed on one project. Of 52 people working on the project, 47 were consultants. We felt that such extensive use of consultants could result in serious repercussions to the Ministry. The newly developed system resulting from the project uses the latest technology, and will be turned over to the system maintenance group for any future changes or enhancements. It would therefore be a prudent practice to have sufficient permanent staff participate in the development activity so that they may gain the knowledge necessary to assist in future maintenance tasks.

Morale of existing staff may suffer as they see exciting new developments being apportioned to consultants. Our interviews with the staff noted some concerns in this regard. **Also, development costs tend to be higher for work done by consultants and the knowledge gained is lost to the Ministry when these consultants depart.**

While there may be mitigating circumstances which justify employing consultants on any particular project, we felt that the numbers should be kept to a minimum.

We therefore recommended that the Ministry:

- reduce its reliance on consultants in order to expose staff members to new technology, improve morale and reduce costs; and
- review the current allocation of consultants engaged in system development activities.

(b) Purchase and Management of Professional Services

Our review of the approval and preparation of requests for proposals, bidding, and evaluation processes indicated that adequate controls were in place to ensure that consulting contracts were properly tendered. However, we noted two issues which were brought to the attention of management.

A consultant had "been associated with the Ministry on a nearly continuous basis since 1975". His current rate was $400 per 7 1/4 hour day with any overtime charged at the same rate. Evaluations done before the contracts were awarded, indicated that this particular consultant was rated higher than others because of experience gained at the Ministry as a consultant.

In our opinion, if there was sufficient work to warrant the hiring of a consultant on a nearly continuous basis for many years, substantial cost savings could have been realized by filling a classified position. In addition, Section 50.5 of the Ontario Manual of Administration states,

". . . to ensure that a supplier is not placed in a position . . . where he/she might enjoy an unfair competitive advantage, the ministry shall: . . . not permit a supplier to gain a monopoly for a particular kind of work, e.g., retaining expertise or know-how, developed at Government expense, so as to become the sole source of such services in the future . . .".

The Operational Evaluation and Audit Branch in their April 1982 "Use of Consultants By the Ministry" report, **commented on the practice of issuing back-to-back contracts to consultants. We observed that this practice was being continued.** Some of these consultants were hired as project coordinators or project managers. We felt that if these key positions were filled by Ministry staff, positive overall benefits would accrue to the Ministry.

We recommended that whenever possible key project positions be assumed by Ministry staff and that the issue of back-to-back contracts be reviewed.

Deputy Minister's reply:

Data Storage Costs

> *"You noted that substantial savings could be effected by reducing data storage cost. The MIS Branch has started a dataset clean-up exercise which is now in its final stages. This has significantly reduced the charges for dataset storage. In addition, procedures are in place to ensure continuous monitoring of dataset storage charges."*

Acquisition of Resources

> *"I agree with your finding that the use of systems consultants is high with respect to Ministry staff. As you are aware, this has been a situation common to most Ministries which has led to Management Board reviewing the need for additional systems staff across the Government. Nevertheless, I should point out that the Ministry's dependence on consultants has been greatly reduced over the past year or so. In fact, all projects initiated during the past year are managed by Ministry staff, with consultants being hired to provide additional expertise as needed.*
>
> *"The vast majority of consultants are assigned to the CIMS project. This project was separately funded by Management Board on the understanding that only six staff be hired to support its development. The remaining manpower requirements were to be filled on a fee for service basis. The rationale for this was that due to the unique size and nature*

of the project, the majority of resources required during development will not be needed by the Branch on an ongoing basis, when different skills more appropriate to the maintenance phase will be required.

"The Ministry has submitted a request to Management Board for additional systems staff and we expect a positive response to be provided. This will further reduce our dependency on consultants and enable us to place staff in all key areas, thus improving the effectiveness of the overall systems development process."

3.9 Improvements Required re EDP Operations, Ministry of Consumer and Commercial Relations.

During the year, we completed a review dealing with the adequacy and compliance of the electronic data processing (EDP) activities of the Ministry. Our objectives included the assessment of:

- EDP standards and procedures relating to the use of Resource Access Control Facility (RACF) and controls over magnetic tape files; and
- Controls relating to the development of a complex data processing system (POLARIS).

Our conclusions and findings were as follows:

Ministry EDP Standards and Procedures

In the areas we examined, Ministry EDP standards were inadequate.

- **RACF protection over unauthorized dataset access needed to be strengthened.**
- **The accountability for tapes removed from the data centres should be more strictly controlled.**

Management Controls Over POLARIS Development

There were sound management controls in place to monitor the Province of Ontario Land Registration and Information System (POLARIS) development activities and compliance with these management controls was generally good. Nevertheless, we noted weaknesses in the following areas:

- **The system conversion tasks at Land Registration Offices needed to be addressed if implementation of the system was to proceed as planned.**

- **Documentation of the Finance Branch accounting control requirements within the system was required.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

The Ministry managed eight programs with total expenditures of $146.4 million for the 1984 fiscal year. Approximately $3.2 million of the Ministry's expenditure was for EDP services provided by the Ministry of Government Services. Data processing by outside service bureaus was minimal and where these services were used expenditures were incorporated into budgeted program costs.

The Systems Services Group, part of the Finance and Systems Branch of the Support Services Division, supports Ministry management in carrying out their service functions and administrative responsibilities by providing advice, service and support on all matters respecting systems and EDP. This unit's 13 classified positions (March 31, 1983) have recently been increased to 24.

EDP Standards and Procedures

RACF Protection

In order to assess the extent that the Resource Access Control Facility (RACF) was implemented in the Ministry, we reviewed the protection over the Ministry's datasets stored at the Queen's Park Computer Centre (QPCC) and the Downsview Computer Centre (DCC). Approximately ninety per cent of the datasets examined were not protected against unauthorized access. **Except for the datasets owned by the POLARIS project, security over the Ministry's stored information was inadequate.**

At QPCC only 12 of the 92 datasets tested were effectively protected. At DCC we found that 19 of the 81 datasets tested had RACF descriptions but 12 of these descriptions gave the specified group control over the data and the "authority" to allow other groups access to the data. Therefore only 7 datasets at DCC were effectively protected.

We interviewed thirteen Ministry personnel who were assigned the responsibility for RACF protection in their organizational unit. We found there were substantially different interpretations of their roles and responsibilities regarding RACF even though this facility had been available to the Ministry for almost three years. Some of the users were under the impression that the Systems Services Group had already protected most of their data or that the data was automatically protected when RACF was implemented at the data centres, while others knew it was their own responsibility.

We noted that the Ministry had drafted a comprehensive RACF

Implementation Plan. The plan addressed various key issues including guidelines for deciding the sensitivity of data, defining user responsibilities and instituting a post-implementation review of the RACF protection at the Ministry.

Magnetic Tape File Controls

Our review of the controls over magnetic tape files revealed that a number of tapes checked out of the computer centres were not returned on a timely basis. **We investigated the disposition of thirteen tapes which had not been returned to the data centre even though three to fourteen months had passed since the tape expiry date. The Ministry was able to account for ten of the tapes but three were identified as lost.**

We recommended that the Ministry review their computer tape handling procedures and ensure that tapes checked out of the computer centres were returned within a reasonable length of time.

On August 28, 1984, the Deputy Minister replied as follows:

RACF Protection

> *"While the findings in this section are valid, we feel obligated to reiterate that the Ministry received minimal technical and training support from the Ministry of Government Services when RACF was first selected, several years ago, as the security software for the Ontario Government. Literature and outside courses necessary for the proper implementation of this software are, to this day, practically non-existent. In effect, our Systems Group recently had to conduct research on this topic prior to the preparation of our implementation plan. Nonetheless, we agree with your recommendation, and our detailed RACF implementation plan is now underway. We anticipate the successful implementation for the entire Ministry will be finalized by March 31, 1985, and periodic checks will be performed on its effectiveness."*

Magnetic Tape File Controls

> *"We agree with your recommendation, and have taken steps to improve controls over computer tape handling procedures. It should be noted, however, that there was no loss of data because the missing tapes were not used for production jobs."*

System Development Project Controls—POLARIS

Background

The Province of Ontario operates two land registration systems

(Registry and Land Titles) in 65 Land Registration Offices throughout the Province. Major users of these systems are the legal and survey professions as well as organizations requiring access to large volumes of land registration information.

In 1971 the Ontario Law Reform Commission's report on land registration noted that comprehensive reform was urgently needed and recommended major improvements. In 1972 the Ministry created the Land Registration Management Committee to develop a position regarding these recommendations. By 1979 the Committee published its report which was approved by Cabinet. The report provided for the establishment of a discrete branch under the jurisdiction of the Provincial Property Registrar and included design concepts, financial planning and implementation strategies.

Management estimated that the project would require a 15 year time span for completion, a $26 million budget and a commitment of over 400 man years of effort. Further analyses showed that the systems aspect alone would require expenditure in excess of $16 million or two-thirds of the project budget.

A Long Range Plan was developed, reviewed and approved by the Deputy Minister and Project Management Committee. Inherent in this plan was the funding strategy for the project which provided base funding of $500,000 (1977 dollars) for each of the first four years plus the accumulated savings from improvements. After the fourth year (1984-85) the project was expected to be entirely self-funding based on the reinvestment of productivity savings and cost avoidance in related areas.

Our audit was carried out during the period December 1983 to January 1984. We examined plans, charts and records, interviewed management and users and performed tests where necessary. In addition, we reviewed development activities in two of the Land Registration Offices.

Land Registration Offices

One of the major tasks that must be completed prior to system implementation is to reduce the number of records that are required to be converted to the automated system at the various Registry Offices. Part of this reduction concerns the deletion of those records which have discharged mortgages registered against them. This is a labour intensive task and **we were informed by senior management of the Offices that no formal plans for completing this task could be established now, or in the foreseeable future.**

In the 1984 fiscal year a request for funding of $200,000 was placed before Management Board. These funds were to be used to provide staff at selected Land Registration Offices to assist in the conversion

preparation. Approval of this request had not been received at the conclusion of our audit (March 28, 1984). If system implementation is to proceed as planned this staffing problem needs to be resolved.

Review of Financial Controls

Although we were advised that informal meetings had been held between POLARIS project developers and the Ministry Finance Branch personnel, we were unable to find any documentation relating to these meetings.

Sections 55.2.2 of the Ontario Manual of Administration and 102 and 102.1 of the Manual of the Office of the Treasury vest responsibility for the provision of proper accounting controls, in systems with financial implications, on the senior financial manager within the Ministry. The financial manager has responsibilities throughout the various phases of the project development, prior to the installation of the new system, including:

- during preliminary survey and feasibility study phases;
- during the design and systems development phases; and
- prior to and during the implementation phase.

We recommended that the Ministry Finance Branch review and document the financial and accounting requirements to be incorporated into POLARIS.

Deputy Minister's reply:

Local Offices Implementation

> *"The pilot project in Oxford County, Ontario, is in itself designed to help us understand the implementation requirements at the local offices. In addition, extensive efforts are underway to assess the requirements at each of the offices, and you are most welcome to review these plans at your convenience."*

Review of Financial Controls

> *"A formal review of the financial and accounting requirements of the POLARIS prototype automated system in Woodstock, Ontario, has since been undertaken by the Finance and Systems Branch."*

3.10 Status of Investigation and Takeover of Trust Companies, Ministry of Consumer and Commercial Relations

In section 3.6 of our 1983 Report, we noted that on January 7, 1983

the Ministry took control of three trust companies in the belief that, among other things, there existed a practice or state of affairs within these companies that was or would have been prejudicial to the public interest or to the interest of the companies' depositors, creditors or shareholders. We also noted that the Ministry purchased the services of consultants and legal firms for this purpose and that, additionally, the Minister established a Steering Committee to oversee all matters pertaining to the takeovers.

During our current audit we noted that in November 1983, the Steering Committee of the Ministry issued a White Paper with proposals for revision of the loan and trust corporation legislation and administration in Ontario. Pursuant to orders of the House dated December 16, 1983, the Standing Committee on Administration of Justice began considering each of the White Paper recommendations. The Committee submitted a report in May 1984 to the Speaker of the Legislative Assembly. As a result, a new loan and trust corporations act is being drafted to incorporate many of the recommendations.

Estimated expenditures relating to the investigation and takeover of the trust companies to March 1984 were approved at just over $21 million, with actual expenditures amounting to $17.8 million.

We were advised that the Financial Institutions Division was in the process of developing an early warning system to enable troubled loan and trust companies to be identified before problems become too far advanced.

3.11 Improvements Needed re Probation and Parole Services, Ministry of Correctional Services

Expenditure for the Probation and Parole Services and the Community Resource Centre Services activities of the Community Program respectively totalled $29.1 million and $6.7 million for the 1984 fiscal year. We reviewed these activities to assess:

- compliance with legislation and established policies and procedures; and
- the adequacy of management controls, including procedures to ensure due regard for economy, efficiency and effectiveness.

We also reviewed the overall expenditures of the Ministry, totalling $226.0 million for the 1984 fiscal year, to assess the adequacy of internal controls, including compliance with established policies and procedures.

Our conclusions and related findings were as follows:

Probation and Parole Services Activity

(i) Compliance with administrative requirements, particularly in the supervision of offenders, required improvement.

- **Supervision plans were frequently not completed by probation and parole officers.**
- **Violations of probation order conditions were not being followed up on a timely basis.**

(ii) Caseload accountability and documentation of offender-officer contacts required significant improvement.

- **Many interviews and contacts with offenders were not adequately documented.**
- **Manual caseload statistics were neither verified for accuracy nor reconciled to computerized statistics.**
- **Caseload audits were not being conducted consistently from region to region.**

Community Resource Centre Services Activity

(i) Compliance with legislative and administrative requirements was generally found to be adequate.

(ii) Although management controls were generally found to be adequate, additional economies could be achieved in several areas.

- **Cost savings were not being realized on the Ministry's occupancy payments to Community Resource Centres.**
- **There were no formalized criteria for establishing Centres or for ensuring that candidates fully benefitted from their stay.**
- **Room and board charges to gainfully employed Centre residents had not been increased since 1979.**

Internal controls pertaining to Ministry expenditures, including compliance with established policies and procedures, were found to be adequate. However,

- **There was no assurance that all fixed assets purchased were being recorded in the asset control ledger.**
- **Medical consultants were being engaged without due regard to the selection procedures set out in the Ontario Manual of Administration.**

DETAILED FINDINGS AND RECOMMENDATIONS

PROBATION AND PAROLE SERVICES ACTIVITY

Overview

The Probation and Parole Services activity is the largest activity under the Community Program. The primary objectives of the service are the effective integration of sentenced adult offenders into the community and assistance to the courts and the Ontario Board of Parole.

These objectives are carried out by about 100 probation and parole offices with a total of approximately 400 officers who are responsible for an average daily caseload across the Province of over 35,000 probationers and 1,200 parolees.

Expenditures of the activity for the 1984 fiscal year were $29.1 million, with the salaries and wages portion accounting for $18.8 million.

Compliance

a) Supervision Plans

Probation and parole procedures require that supervision plans be developed for all offenders. An appropriate supervision plan should include provisions for monitoring probation and parole conditions as well as the establishment of a minimum reporting schedule for the offender.

Our review of field offices spanning four regions and approximately 90 cases revealed that in two-thirds of the cases reviewed the supervision plan was either not documented on file or was found to be inadequate.

We recommended closer monitoring in the area of supervision plans.

b) Reporting Violations on Probation Orders

A probation order once determined by a court judge normally sets out conditions or requirements for the offender to meet while on probation. These conditions may include finding suitable employment, refraining from alcohol and usually include a reporting requirement that a probationer report to an officer on a regular basis.

In our review of 85 cases in six offices we noted 9 instances where violations of the reporting condition as set out in the probation order were either not acted on by the responsible officer or action was taken by the officer a significant time after the violation occurred. For example, a probationer reporting monthly failed to report on August 16, 1983. We noted at the time of the audit (December 1983) that no action had been taken by the probation officer.

We recommended that controls be strengthened to ensure prompt

and continuous compliance with the conditions prescribed in probation orders.

Management Controls

a) Weaknesses in Case Supervision

Client Interviews

Probation and parole officers normally record planned contacts and interviews with offenders in appointment or interview log books. Once the interview takes place, the officer then documents the results in the offender's file. **Results derived from five field offices reviewed revealed:**

—**A number of interviews recorded in log books, results of which were not subsequently recorded in the offender's file.** While we acknowledged that some interviews may have been rescheduled, our concern was with the number of cases where results were not documented in the offender's file.

—Cases of inconsistent documentation between the appointment book and the offender's file. For example, while an appointment book may denote that the client reported to the officer, the offender's file recorded that the individual failed to report.

Client Files

Information contained on offender files in the seven field offices visited was found to be incomplete. For instance:

—While the probation period for one offender reporting monthly ran until August 1984, the last case entry on file was dated November 3, 1982.

—There were gaps in case notes on file of up to 21 months.

—Documentation of meetings with offenders in a number of cases consisted of simply "reported", "no problems".

Client interviews and subsequent file documentation are fundamental to the work of the probation and parole officer, especially when it may be used as evidence in court. Consequently, it is vital for management to ensure more complete and accurate case supervision.

Management advised us that a proposed set of provincial standards for case reporting and levels of supervision, in the process of preparation, was expected to be finalized in June 1984.

b) Inaccuracies in Caseload Statistics

Manual case load statistics prepared by individual officers form

the basis of compiling workload activity for the Probation and Parole Branch for Management by Results reporting. These statistics are accepted as being more reliable than computerized case load statistics being maintained by the Branch centrally. **No serious attempts have been made to reconcile manual and computerized statistics or to define and resolve problems preventing such reconciliations being carried out on a regular basis.**

We selected a sample of ten officers' reported statistics for a month from four field offices and tested the accuracy of their numbers. Our results revealed:

—Five officers out of ten had a significant difference between active cases reported by them and cases actually under their care. One officer had in actual fact 28 per cent less cases than those reported by him.

—A further test in one office revealed that the actual caseload was 29 per cent less than that reported.

As a result of the above, the Probation and Parole Branch may not be certain of the accuracy of its total caseload unless an independent check of field offices is made by the regional offices periodically. Accurate caseload statistics are essential in providing assurance to management that the correct planning and budgeting decisions are made for the Branch.

In response to the above concerns raised by us during the course of the audit, management has planned the testing of a new system on caseload accountability in several area offices.

c) Caseload Audits

Caseload audits are performed annually by area managers as a means of monitoring the performance of probation and parole officers. Normally, only a sample of files is selected for audit by the manager.

We reviewed audits performed by six area managers and noted that generally an individually prepared itemized checklist is used. We were of the opinion that the use of a standard checklist or audit program by all offices would ensure a more complete and comprehensive review.

In this respect, we understood that progress was being made by a Ministry sub-committee in developing a standard content and format for conducting caseload audits, and that a draft set of criteria and recommendations on the subject has been issued. We also understood that the Committee's views were with the regional administrators for review and feedback.

d) Allocation of Probation and Parole Officers

We reported in a 1981 audit report that a systematic method of allocating officers could provide a more efficient utilization of officers

and help even out the caseload. We were advised that a Ministry committee was still working on this issue.

COMMUNITY RESOURCE CENTRE SERVICES ACTIVITY

Overview

Community Resource Centres (CRC's) are operated for the Ministry on a contract basis by private agencies and provide a community residential setting for offenders completing an institutional sentence, selected offenders on probation and parole, and persons on remand. At the time of our audit, there were 32 centres operating in the province. In addition, there were contracts for ad hoc use of 27 community agencies and halfway houses.

Expenditures for the 1984 fiscal year were $6.7 million.

Management Controls

a) Occupancy Rates

Community Resource Centres receive a fixed rate from the Ministry for housing a variable number of residents up to base capacity. In addition a centre can receive $105/week for each person in excess of this base capacity during the week. **This calculation is based on the total number of residents registered during the week regardless of when they were admitted or discharged during that week.** For example, if one resident was discharged on a Tuesday and another registered on Thursday, then both individuals would be eligible for a charge back to the Ministry as a full week's stay.

Payments in addition to minimum or base rate for all CRC's in 1984 exceeded $400,000. **We felt some savings could be achieved by the Ministry if a per diem basis of calculation was used to charge the Ministry only for days the resident actually spent at the community resource centre.**

We acknowledged that the Ministry was making payments in accordance with the terms of agreements currently in force. However, we suggested that in future negotiations between the Ministry and CRC's, discussions also include a proposed change in the current method of calculating occupancy costs to ensure that payments to centres are made only for services received by the Ministry.

In this regard, we were advised that serious consideration was being given by the Ministry to changing the current method of calculating occupancy costs.

b) Underutilization of CRC's

A review of CRC utilization revealed that some centres have been underutilized from time to time, with one centre having been consistently

underutilized (approximately 50 per cent) over the last five years. Two other centres were closed down in 1979 and 1980 respectively because of their low level of utilization.

A recent study completed by the Ministry on CRC's indicated that only 7 per cent of all residents at centres stayed more than three months while one-half stayed less than one month in a CRC. CRC Directors and institutional staff were of the opinion that 3 to 6 months would be the ideal period for an individual to fully benefit from his stay at a CRC.

At the time of our audit, an informal selection process existed for establishing CRC's while the Temporary Absence Program (TAP) provided appropriate candidates for residency at these centres. TAP allows individuals the opportunity to work in the community while completing the terms of their sentence.

We felt that the development of formalized criteria such as availability of rehabilitation programs, proximity of the CRC to an institution and employment opportunities in the area would improve the overall utilization of these centres. Additionally, in selecting candidates for residency, greater consideration being given to an inmate's length of stay should result in more effective use of CRC's.

c) Room and Board Charges

Room and board charges to CRC residents gainfully employed have not changed from the $6 per day rate since 1979. Room and board revenue helps defray the costs of operating these centres. Receipts from room and board for the 1983 fiscal year totalled $410,000.

We understood that a request was made by CRC officials to senior management of the Ministry in May 1982 for the purpose of increasing the rate. To date, however, this matter had not been acted upon.

INTERNAL CONTROLS

Fixed Assets

The Asset Control Department of the Ministry maintains a control ledger where items in excess of $200 or those of a particularly attractive nature, are required to be recorded. **As the accounts payable department kept no listing of asset purchases which could be reconciled to the asset control ledger, there was no method of ensuring that all assets purchased by the Ministry were recorded in the asset control list.**

Our testing of 31 purchases revealed that 10 could not be traced to the asset control list. One item represented computer equipment valued at $113,330.

We recommended that controls be strengthened by the Ministry to

ensure that all assets in excess of $200 are being recorded in the asset control ledger.

Medical Consultants

Medical services are required by the Ministry to ensure 24 hour coverage, 7 days a week for inmates at all institutions. These medical services include physical examination of inmates entering institutions, fitness examinations for transfer between institutions and any internal body searches that may be required. In 1983 approximately 100 medical firms or professionals were retained by the Ministry. Payments for these services amounted to $1.9 million for the 1983 fiscal year.

Our review revealed that in many cases the Ministry engaged the services of medical consultants for a series of short-term (one year) contracts renewed over a number of years (up to 10 years) without due regard to the selection procedures set out in section 50(4) 14 of the Ontario Manual of Administration (OMA). OMA requirements ensure equitable distribution of Ministry assignments among qualified suppliers.

We understood that the Ministry was planning to apply to Management Board of Cabinet for an exemption to the selection procedures set out in the OMA.

The following reply was received from the Deputy Minister on July 3, 1984:

General

> *"As noted in your report, many of the issues identified are under active consideration by the ministry. Wherever possible, I expect matters to be finalized by September 1, 1984, a date which corresponds to the implementation of our new organizational structure."*

Probation and Parole

Supervision Plans

> *"This matter will be reflected in the ministry's standards for case reporting and recording and also for case audits, both of which will be finalized by September 1, 1984."*

Reporting Violations on Probation Orders

> *"Although there is some validity to this recommendation, the matter is a very complex one. A simple act or omission prohibited by a probation order is not sufficient in itself to qualify as a violation which results in a charge under the Criminal Code. Local court practices and evidentiary*

requirements require that probation officers exercise discretion in 'enforcement' matters, and consequently it is not possible to establish an unequivocal policy on enforcement of probation orders, nor can we set universal policy for court-related matters. In view of the foregoing, we believe that in addition to the general guidelines established in the Probation and Parole Manual, local ministry management must retain the flexibility to develop and implement procedures deemed necessary to reflect local area needs. Case audits should reveal inadequacies in enforcement and corrective action can then be taken."

Internal Controls — Fixed Assets

"We are presently examining practical ways and means of strengthening our existing controls. We anticipate that subject to available funding, a revision to the computerized accounts payable system may provide a means of linking the payment process with the recording of fixed assets."

3.12 Lack of Compliance and Other Matters Related to Economy, Ministry of the Environment

We completed an audit of the Water Resources, Waste Management and Air Resources Branches of the Ministry's Environmental Planning Division. Expenditures of the Division for the 1984 fiscal year were $40.7 million.

An objective of the audit was an assessment of whether the operations of the branches were undertaken with due regard for economy.

We concluded that the branches, for the most part, were operating with due regard for economy; however, certain areas required improvement.

- **A decision not to tender for the operation of the Experimental Resource Recovery Plant was, in our view, in contravention of the Manual of Administration.**
- **Savings could be realized in improved utilization of Ministry vehicles.**
- **A properly conducted and documented feasibility study was not made before eight microcomputers were acquired.**

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

The Environmental Planning Division is comprised of six operating branches. One of the major activities of the Division is to conduct scientific

and technical research, assessment and pollution control programs concerning the use of water, land and air resources. The Air Resources, Waste Management and Water Resources Branches are similar in organizational structure and are primarily responsible for carrying out this function.

Water Resources Branch

The Water Resources Branch is responsible for the collection and analysis of water quality data for the Great Lakes, selected inland lakes and waterways, and water supply and sewage treatment systems. Accurate, reliable data on the actual condition of the Province's water resources is necessary to enable the branch to develop proposals for control programs and legislation to protect and enhance surface and sub-surface waters. The branch also provides technical expertise to the regional offices and to internal and external groups and individuals.

For the 1984 fiscal year, expenditures were $9.1 million with $5.5 million of this being for salary and related benefits for the branch's 150 employees.

Waste Management Branch

The role of the Waste Management Branch is to develop plans and programs to manage the generation, collection, treatment and disposal of domestic and industrial wastes and to monitor the results achieved by such plans and programs.

For the 1984 fiscal year, expenditures were $8.1 million of which $3.9 million was for the operation of the Experimental Resource Recovery Plant.

Air Resources Branch

The Air Resources Branch is responsible for maintaining Ontario's air quality monitoring network, measuring air quality in potential problem areas, performing special studies related to acid rain, new contaminants and the effect of pollutants on soil and vegetation. The branch also provides technical expertise to the regional offices and to external groups and individuals.

For the 1984 fiscal year, expenditures were $7.2 million of which $4.3 million was for salaries and related benefits for the branch's 120 employees.

Lack of Competitive Bidding

The Ministry constructed an Experimental Resource Recovery Plant in 1975/76. The purpose of this plant was to provide "hands on" operating experience including capital and operating cost information for a resource recovery facility. Waste which cannot be reused is compacted and

trucked to landfill sites. The plant and associated trucking operation is operated and managed by a private waste disposal contractor who is reimbursed for all costs incurred plus a management fee for the technical expertise being provided.

The same company has retained this engagement since the start-up of the plant. Payments to this firm for the seven years that the plant has been in operation were as follows:

Year	$
1	1,654,000
2	2,233,000
3	2,766,000
4	2,610,000
5	3,047,000
6	3,701,000
7	3,928,000
	19,939,000

The original five year contract for the operation of the plant expired on March 31, 1982 at which time the Ministry signed a new five year contract with the same firm. **We noted that, although the original contract was tendered, the new contract was signed without obtaining competitive bids from other possible suppliers.** The ministry contended that no specific policies in the Manual of Administration applied to a contract of this type and, accordingly, there was no formal tendering requirement.

We believed, however, that section 50.4 dealing with technical consulting services was applicable to this contract. This section defines technical consulting services as those requiring "essential technical skills provided on a fee basis". One of the primary reasons this particular contractor was engaged and received a monthly management fee was to provide technical expertise in the solid waste processing and energy from waste fields, areas in which the contractor had acknowledged technical expertise.

We noted that a number of other reasons were given for signing a new contract with the original operator without giving other possible suppliers the opportunity to bid on the contract. These included:

(a) The Ministry believed there would be a lack of response from companies capable of providing the services required given the current firm's on site experience.

Subsequent to the awarding of the contract, two other large waste disposal companies contacted the Ministry and complained that they had not been given the opportunity to bid on the contract.

(b) The Ministry would reap the benefits of the current operator's experience.

This reasoning was contrary to subsection 50.4.10 of the Ontario Manual of Administration, which states that ministries shall "not permit a supplier to gain a monopoly for a particular kind of work by retaining expertise or know-how developed at Government expense and thus become the sole source of such services in the future."

(c) The present operator would have a major cost advantage over other companies because he could rehabilitate many of the existing vehicles while other companies would need to purchase new vehicles with the related savings being reflected in reduced charges for the operation of the trucks.

However, we noted that of the original 23 vehicles, 10 vehicles did, in fact, have to be replaced and that the monthly capital cost per vehicle (both new and refurbished) charged to the Ministry increased from $1,385 to $2,195 per month, for each of the 23 vehicles.

Furthermore, we found no evidence that the Ministry had performed an analysis to ensure that the increase was justified. Particularly in light of the fact that the contract was not tendered, it was our opinion that an in-depth review of the costs supporting such an increase was warranted.

Utilization of Ministry Automobiles

We noted that control procedures required improvement to ensure that Ministry vehicles were used in the most economic manner in the Water Resources and Air Resources Branches.

During our review of the Water Resources Branch, **we found that an employee of one section travelled 37,924 kilometres using his own automobile from April 1982 to December 1983 and was paid $7,099 in mileage allowances. Yet during the same period one of the Ministry automobiles used by that section logged only 7,632 kilometres.**

We recommended that this branch strengthen procedures over the utilization of Ministry vehicles to ensure those individuals doing the most travelling use Ministry vehicles.

Also, we noted that this branch had 6 leased vehicles (as well as 26 owned outright), but accumulated mileage for leased vehicles was not recorded, thereby making it difficult for the branch to periodically assess the need for these vehicles. Accordingly, we further recommended that a review be done to justify the cost effectiveness of the present number of leased vehicles.

The Air Resources Branch had approximately 36 vehicles, 8 of which were passenger vehicles available in the vicinity of the Toronto office.

We noted numerous instances where branch staff were using their own

personal vehicles and charging mileage for trips originating from and returning to the office when the Ministry vehicles were not being used that day. There was no formal policy in place with respect to this although we were advised that employees were expected to use Ministry vehicles when available.

While monthly logs of kilometres driven were kept for all vehicles, we found little evidence that total kilometres driven by the vehicles on an annual basis was periodically assessed to determine whether all vehicles retained were actually required based on their utilization. **For instance, we computed the utilization rate for the eight passenger vehicles at the Toronto office for the three month period from September to November 1983 and found that the vehicles were being used only 34 per cent of their available time.**

We recommended that the Air Resources Branch introduce and enforce a formal policy to ensure that Ministry vehicles are used whenever possible and secondly, that the present number of branch vehicles be reviewed to ensure that their retention is justified based on the usage made of these vehicles.

Lack of Feasibility Study

In 1983 the Environmental Planning Division acquired eight microcomputers at a total cost of approximately $100,000. The purpose of the microcomputers was to enable the establishment of an integrated system of activities, records and data throughout the six branches and Assistant Deputy Minister's office.

While proposals from various vendors were requested and assessed, we noted that no proper feasibility study was conducted prior to the tendering for the equipment. For instance, one of the key requirements in a feasibility study is to clearly identify the specific needs of the users. However, the branches were not specifically consulted prior to the acquisition of these computers by the Division. While we acknowledged that the primary user would be the Assistant Deputy Minister's office, we believed the specific needs and concerns of the branches should also have been taken into consideration.

Another consideration regarding user input is to obtain information on EDP equipment presently in use to ensure appropriate consideration is given to equipment compatibility. The Air Resources Branch, for instance, had 17 microcomputers and 3 minicomputers produced by 7 different manufacturers. This in itself limited application and database compatibility.

While we did not question that an improved system for the compiling and reporting of the status of Divisional activities was needed, **we believed a properly conducted feasibility study was a necessary first step.**

The following response was received from the Deputy Minister on September 10, 1984:

Lack of Competitive Bidding

"The main reasons for not going to competitive tender were the lack of specific direction in the Manual relating to contracts of this nature; the apparent cost saving that could be received for maintaining a portion of the existing fleet of vehicles for this purpose (a new contractor would require all new equipment) and the fact that the plant had only reached stable operations shortly before expiry of the contract.

"Over 80% of the costs of the 1981-82 contract were direct operating costs which are verified in detail on a monthly basis by the Ministry, subject to dollar limitations without prior approval and reviewed quarterly with the contractor, and therefore are not subject to significant control of the contractor.

"An experienced operator was also identified as a critical factor in obtaining meaningful operating data and giving the data credibility.

"There was a conscientious, logical approach taken to ensure that the best deal was made for the taxpayer.

"Section 50.4 of the Ontario Manual of Administration deals with technical consulting services and does not explicitly apply to this specific contract which was for the operation and management of the Experimental Resource Recovery Plant. It should be noted that while the management fee represents 4% of the total contract costs, only a small portion of this fee could possibly be interpreted as 'technical consulting services'.

"The Ministry's interpretation of this Section is that it is geared to contracts for design and consultative purposes and not to the daily management and operation of a facility. Therefore it is apparent that there was no intent at any time to circumvent the Manual.

"A five-year period was selected because that time frame is geared to the life expectancy of the vehicles being used, and it was felt that this would result in considerable savings. By the time staff were made aware of the requirement for Management Board approval, there was insufficient time prior to the expiry of the contract remaining to carry out this procedure."

Utilization of Ministry Automobiles

"Agreed. Due to the seasonal and/or periodic nature of the workload, Ministry vehicles may be under utilized during certain times of the year. It must also be appreciated that some vehicles are purchased and equipped for very specialized purposes. The Trace Atmospheric Gas Analyzer Vehicle is an example.

"The Division has completed a review of the use of Ministry owned or leased vehicles. Each Branch has assigned a staff member to co-ordinate vehicle use and maintenance. All staff of the Division have been directed to use Ministry owned or leased vehicles wherever practical.

"A review of Branch vehicle needs and of the mechanical fitness of all vehicles is underway, with respect to the possible reassignment or disposal of the vehicles.

"Reviews of vehicle use in the Division will be conducted on a semi-annual basis.

"The Division is also evaluating options for converting appropriate vehicles to alternative fuels as a means of demonstrating the Ministry's commitment to the use of these fuels."

Lack of Feasibility Study

"Agreed in principle. The Division has established a Divisional Electronic Data Processing Committee which is responsible for advising the Directors and the Assistant Deputy Minister on EDP needs, systems integration, future system directions, maintaining divisional systems inventories, security, establishment of a software library, overall systems effectiveness and compliance with the Manual of Administration in acquiring and/or adapting systems. This Committee should ensure consistent approaches and documentation for future system acquisitions.

"Given the lack of direction in the manuals the study may not have been carried out in sufficient depth, however competitive bids were obtained, and it is apparent that there was every intention to fulfill document requirements as they were understood at that time."

3.13 Opportunities for Increased Economy and Efficiency re Maintenance of Government Facilities, Ministry of Government Services

An audit of the Repairs, Operations and Maintenance Activity of the Ministry's Accommodation Program dealt with various aspects of management controls in place to ensure due regard for economy, the efficient use of resources and to monitor, measure and report on effectiveness. Expenditures of this Activity for the 1984 fiscal year, net of recoveries from other ministries, totalled $104.6 million.

At the time of our audit the Ministry, and in particular the Property Management Division (PMD), was in the process of adapting to a number of significant changes in management philosophy and organizational structure. These changes were the result of four specific thrusts which have impacted extensively on operations and personnel.

1) A client service orientation

   As a result of a major study of client needs and levels of satisfaction, management has adopted a much more service oriented approach to program delivery as opposed to the more compliance oriented emphasis of prior years.

2) A decentralized organization

   In line with the client service orientation, management has decentralized program delivery to regional, district and area offices, thereby allowing flexibility in responding to local needs and conditions.

3) A shift to privatization

   In response to government-wide initiatives to reduce the number of person years employed, management has embarked on a relatively rapid program of contracting out for services normally performed by PMD personnel.

4) Economic restraint

   In addition to reducing person years the Ministry must also attempt to do more with less through such efforts as program review and the government-wide space reduction initiative.

Our conclusions and findings, as presented, gave recognition to the fact that a number of management initiatives to address these many changes were underway. Many of our comments either encouraged and emphasized continuation of these initiatives or pointed out risks and difficulties arising therefrom.

The following is a summary of our more significant conclusions and findings:

The Ministry's Management Planning and Reporting Process

- **Better information was needed on the costs of individual facilities managed, on the performance of individual districts and regions and on the aggregate performance measures reported in MBR submissions.**
- **Greater use of external comparisons or established standards of performance was encouraged.**

Delineation of Responsibility and Accountability

- **Operating relationships and responsibilities between PMD and client ministries were not clearly defined, resulting in instances of unnecessary delays in essential repairs, disputes over levels of service and funding arrangements, and inadequate assurance that government assets are properly maintained.**

Contract Management

- **Due regard for economy in the acquisition of contract services was not assured because of an established practice of selecting the lowest bidder exclusively, insufficient staff and in-house expertise to monitor the work of contractors and ineffective procedures to evaluate contractor performance.**
- **More isolated problems were noted in specific contracts examined, involving:**
  - **—inadequate control over subcontracting in unit price contracts;**
  - **—payments on contracts which had expired; and**
  - **—inadequate planning and ongoing management of an energy conservation project.**

Preventive Maintenance Program

- **The Preventive Maintenance Program for mechanical systems and equipment was not adequately performed.**

DETAILED COMMENTARY

Overview

The objective of the Repairs, Operations and Maintenance (ROM) Activity is to provide effective and efficient repairs, operation and maintenance services for government-owned and leased real property facilities for which the Ministry of Government Services (MGS) has responsibility.

This Activity is administered by the Property Management Division (PMD) of the Ministry's Accommodation Group.

The scope of the ROM Activity involves:

(1) repair responsibility for approximately 5,000 buildings containing about 3.8 million square metres;

(2) operation and maintenance responsibility for approximately 2,600 buildings representing an area of 1.3 million square metres.

In May 1982, the Division's field operations were reorganized resulting in the creation of three regions — Northern Ontario, Southern Ontario and Metro Toronto, and eleven district and three area offices. The thrust of this reorganized structure was to delegate authority and responsibility to the lowest level possible and provide effective and direct local response to clients' accommodation needs.

The Division has committed itself, through the Ministry's strategic plan, to improve the services it provides within a climate of budget and staff restraints, increased work load and government priorities. Also, emphasis is placed on the increased use of private sector contractors while at the same time maintaining enough "in-house expertise" to provide the necessary supervision and guidance required to keep all facilities and equipment, for which the Ministry is responsible, in a safe and acceptable condition.

The Ministry's Management Planning and Reporting Process

Management Information and Reporting on Facilities Managed

The management information and financial reporting systems for accumulating building operation and maintenance expenditures did not permit meaningful comparisons of similar facilities or provide management with adequate information for making more informed decisions.

Costs are summarized and classified by key expenditure categories, such as energy, horticulture, cleaning and other. However, only direct operations and maintenance expenses are summarized, and expenditures such as MGS staff salaries and benefits are excluded, as well as client ministry costs incurred in the operation and maintenance of a building.

Since all pertinent costs of a facility were not accumulated and reported, it was difficult for PMD management to perform reliable and meaningful analyses and comparisons of operation and maintenance expenditures to that of similar facilities.

We recognized that to introduce a system which captures all salary and administrative expenditures on the basis of individual facilities may not be cost justified. However, where individual resources are fully or

substantially dedicated to a facility, these costs should be reported as such.

It was our opinion that performance measurement is most meaningful at the facility level because of the wide variety of facilities being managed. Aggregated data is of limited use for management decision making as comparisons to other property management operations become less conclusive or even invalid.

We therefore recommended the Division continue the development and update of its management information and financial reporting systems in order to provide management with a more meaningful consolidated summary report of all significant expenditures associated with the repair, operations and maintenance of each facility.

Measurement of Districts' Performance

The Performance Evaluation System (PES) used for measuring and reporting results of the PMD did not indicate the operational performance of a region or district.

We noted that District Offices were required to submit monthly reports which contained new data that was used in the Division's PES. Examples of such reports include:

(a) Preventive Maintenance Program Monthly Evaluation

(b) Backlog Summary

(c) Service Breakdown

(d) Regional Repairs

(e) Clients' Satisfaction

However, the data from the Districts' reports and the Divisional Office were combined, resulting in the issuance of an overall performance report for the Division. Consequently, the performance of any one Region or District was not highlighted or measured and there was no way of assessing the levels of economy, efficiency or effectiveness within or among Regions and Districts. We understood the Division was considering the implementation of a PES at the regional level in the 1986 fiscal year.

We viewed this as a positive step and recommended that consideration be given to extending the PES to the District level.

MBR and Performance Measures for the ROM Activity

The ROM Activity's performance and result indicators for certain aggregated measurement criteria reported in MBR information abstracts to Management Board of Cabinet required improvement. For example, the average cost incurred per square metre for operation and maintenance of a building

was compared only to the previous year's actual cost and current year's target. Consequently, no conclusive comparison information of the Activity's performance was reported on the MBR abstracts submitted to Management Board. In addition, as mentioned earlier, actual costs reported did not include all significant costs associated with operations and maintenance.

We felt a more useful measurement criterion would be to compare and report the results of the average cost incurred per square metre for operation/maintenance of a building to an industry or predetermined standard. **We were advised that industry statistics are available which are summarized for both public and private sector office buildings.**

We felt that management should endeavour to set reasonable standards based either on available comparative data or on their own operating experience and regularly compare and report their actual performance in relation to those standards. These comparisons would be less conclusive than the facility comparisons discussed earlier, but would be useful in identifying broad trends in operations and progress toward the operational and strategic plans.

We therefore recommended that the Ministry consider the preceding suggestions in its future Performance Evaluation and MBR improvement efforts.

Delineation of Responsibility and Accountability

From our review of contract files and from discussions with both Ministry and client ministry personnel, it was apparent that operating relationships and responsibilities between the PMD and client ministries had not been adequately defined, resulting in instances of unnecessary delays in essential repairs, disputes over levels of service and funding arrangements, and inadequate assurance that government assets are properly maintained.

Where it is mutually agreed that repairs and maintenance can be more effectively and efficiently performed by the client ministry, the Division delegates its responsibility for these activities. However, the extent of delegation can vary greatly depending on the circumstances and, in most cases, the exact delineation of responsibilities was not formally documented.

1) **Failure to delineate funding relationships has caused unnecessary delays in undertaking repairs or replacements**

There is no assurance that client ministries will properly maintain equipment and other assets if any necessary repairs are funded by MGS. Under present arrangements, client ministries may divert moneys allocated for routine maintenance to other operating priorities,

risking a major failure which necessitates costly emergency repair work and interrupts program delivery. Unless major repairs are required to be paid out of the operating funds of the client ministry, there is no incentive for client ministries to properly maintain their equipment.

Similarly, if MGS is required to fund major repairs but client ministries fund any replacement decisions, there is a tendency for client ministries to defer replacement decisions which may have been far more economical than a continuation of significant repairs.

Alternatively, if separation of repair, maintenance and replacement funding is to continue, then MGS would have to undertake a program of periodic inspections by qualified personnel and have the authority to demand that any needed maintenance work or replacement actions identified as a result of inspection be carried out at the expense of the client ministry.

The following example served to illustrate the problems which can arise.

In 1979 a client ministry reported difficulties with a fume hood cabinet, which was an important piece of equipment installed in a geophysical laboratory. Although the equipment was specifically used in program delivery, the client ministry believed that maintenance and repair of the cabinet was the responsibility of MGS because it was connected to the building's HVAC (ventilation) system. The dispute over who should pay for necessary repairs, estimated to cost $80,000, continued over a four year period. According to the contract files the condition of the fume hood cabinet was such that it was an impediment to program delivery and posed a significant health hazard. The files also indicated that the problem arose because of an ineffective wash down system which rendered the cabinet dysfunctional. Repairs were finally completed in February 1984 at a cost of $180,000, paid for by MGS. Had maintenance and funding arrangements been clearly delineated at the time the equipment was acquired, delays, safety risks and cost overruns could have been avoided.

2) Levels of service had not been formally defined and agreed to

The levels of service which client ministries demand of MGS vary greatly because of the unique nature of their programs. For example, cleaning standards which are suitable for many multipurpose government buildings may be deemed insufficient for health care or laboratory facilities, or for 'prestige' buildings such as the Legislative Building. Other client ministries employ very specialized equipment in the delivery of their programs, demanding specialized maintenance and repair arrangements.

Because the cost of providing building services is, in most cases, borne entirely by MGS, it is difficult to monitor both the performance of MGS and the true cost of programs. Where client ministry programs require special levels of service it would seem prudent, from an accountability point of view, that the costs of these services be included in the overall cost of the program and not obscured within the operating costs of MGS. Certainly, the costs associated with operating and maintaining equipment or other specialized requirements would have to have been considered at the time that the program decision was made to acquire them.

We understood that management had established a task force to consider fully the accountability and funding relationships with client ministries. We were also aware that in 1983 the Interministerial Accommodation Committee made recommendations aimed at:

- increasing the accountability of managers for their use of accommodation dollars;
- reducing the demand for new space;
- increasing Cabinet control over the use of space; and
- timing decisions on accommodation to decisions on programs, staffing and funding.

We strongly endorsed these actions and recommended that steps be taken as soon as possible to clearly delineate accountability and funding relationships for the ROM Activity such that:

- **Economical and effective maintenance, repair and replacement decisions are encouraged; and**
- **Meaningful performance measurement of MGS and program managers is facilitated.**

Contract Management

Arrangements to Ensure Economy of Services Acquired

In conducting our audit of the ROM Activity, we randomly selected and reviewed 44 work projects in the three District Offices we visited. Because contract terms and problems can vary greatly depending on the type of service provided, our sample of projects included a variety of service areas.

Due regard for economy dictates that services **of appropriate quality and quantity** be acquired at the lowest possible cost. Our audit revealed significant deficiencies in the systems employed by the PMD for the awarding of contracts and supervision and monitoring of contractors' performance. Specifically, the following controls deficiencies were noted:

(1) Contractors were engaged on the basis of lowest bid without adequate prequalification assessment.

(2) Contracts for maintenance of specialized equipment were not always negotiated with contractors having the requisite expertise.

(3) The Division had not maintained sufficient qualified trades specialists to supervise, inspect, monitor and evaluate the work of contractors. Succession planning was not adequate to ensure that this problem will be resolved.

(4) Contractor performance was in some instances rated as satisfactory even though work performed was considered deficient.

The following examples illustrated our concerns:

(a) A contract for the maintenance and operation of elevator equipment in an office building was awarded to a contractor who was the lowest bidder. This contractor, who was not the manufacturer of the elevator, effected repairs which were not compatible with the existing equipment. These repairs resulted in continued operational problems and frequent service calls.

(b) The use of a six bank elevator system in a Psychiatric Hospital was ordered to be restricted and the machinery disassembled for inspection. These instructions were issued by the elevator maintenance contractor who was awarded the contract on the basis of being the lowest bidder. Also, this contractor was not the manufacturer of the elevator equipment.

On the advice of the Division's elevator specialist, the dismantling of the elevator machinery was averted and four of the six elevators were immediately returned to normal service. This action resulted in avoidance of unnecessary work estimated to cost approximately $100,000. It was determined that the maintenance contractor erred in the testing of the elevator machinery.

We were advised that the Division's only elevator specialist is retiring shortly and there was no identified replacement available for this position. Consequently, the operation and maintenance of about 550 elevators would be solely dependent on contractors whose work cannot be adequately monitored by the PMD.

(c) A two year contract to maintain farm machinery in two Agricultural Research Stations was awarded to a contractor who submitted the lowest bid of $38,581. Our examination revealed that this contractor performed frequent repairs to the

machinery, stating that they were necessary due to operator negligence and the age of the machinery. These repairs were not within the terms of the maintenance contract. Confirming purchase orders were issued to authorize additional work amounting to $50,270.

In addition, the District Office staff did not inspect this machinery or authorize the necessary work before it was performed by the contractor. The contract was finally terminated after 14 months due to disputes between the District Office and the contractor regarding the necessity for repairs.

(d) District Offices are required to evaluate and document the performance of contractors at the completion of each contract. Contractor performance is rated in the following areas:

(i) Organization

(ii) Quality of work

(iii) Degree of supervision required

The weighting factor for each of the three areas rated is about equal with the total score being 100. Usually, a total score of 50 or more is considered acceptable.

We randomly selected and reviewed the performance evaluations done on 60 contractors. We observed no instance where a total score of less than 50 was awarded. However, in our discussions with staff of the District Offices and in our review of contractors' files, concerns were expressed or noted about the performance of certain contractors who had received acceptable written evaluations. Therefore, these contractors were entitled to bid on future contracts even though work performed was considered deficient.

In addition to the preceding examples, we observed a trend by the Division to reduce its trades staff. This was being accomplished by not replacing staff who leave or retire from the Division. Their work will, in future, be performed by contractors. **As privatization of projects increases and the Division's trades group decreases, the District Offices' controls over contracted services would be adversely affected.**

In view of these deficiencies, it is difficult to report assurance that government facilities and equipment are being well maintained and that decisions to repair and maintain these assets are made with due regard for economy.

We recommended the PMD consider fully the impact of the Ministry's privatization policy on its ability to provide and control

effective and efficient repairs, operation and maintenance services for government facilities and equipment. We also recommended that greater emphasis be placed on the prequalification assessments of contractors when awarding contracts.

Economy of Sub-Contracting under a Unit Price Contract

Sub-contracted work performed under a unit price contract for partition removal and installation was not based on unit prices and did not relate to partitions.

The contract, awarded for removal and installation of partitions in several buildings, was unit-priced by a stipulated sum to be paid for work on measured units of partitions. In addition, this contract provided that electrical and mechanical work could be executed by specified sub-contractors, without tender, on a cost plus basis.

The following seven projects examined under this unit priced partition contract indicated that the sub-contracted work was often significant in relation to the unit priced partition work. Also, much of this work was not related to the partition work.

Example	Unit Priced Partition Work $	Other Sub-Contract Work $	Project Total $
1	10,162	28,693	38,855
2	14,252	19,384	33,636
3	8,116	14,342	22,458
4	11,669	17,947	29,616
5	35,364	67,298	102,662
6	15,200	29,200	44,400
7	14,500	7,500	22,000

This type of contracting arrangement affords little control over the work assigned to and costs incurred by sub-contractors and may be viewed as a vehicle for single-sourced purchases of services, circumventing both government and Ministry purchasing policies on tendering procedures.

We recommended that this and other such contracts be reviewed to ensure that the Ministry has greater control over the work performed by sub-contractors.

Payments Made without Formal Contracts

Contracts were improperly time extended with the use of change orders or purchase orders resulting in payments of $1,891,200 for services not covered by formal contracts.

We examined six contracts which were improperly time extended. Two of the most significant of these contracts are described below:

(i) A janitorial service contract was awarded to the lowest bidder for $2,386,000 to be paid by monthly payments of $99,416.67 from October 9, 1981 to October 8, 1983. Approximately 16 months after commencement, the contractor terminated services because of union negotiated wage increases to his employees. The Division retained the services of this contractor to March 31, 1984 by issuance of 13 change orders which periodically escalated monthly payments to $123,310. The amount of payments made without formal contract to March 31, 1984 totalled $1,490,000.

(ii) A contract for dismantling and installation of partitions was awarded to the lowest bidder commencing September 1, 1982 and terminating August 31, 1983. After expiry of the contract, the contractor was retained until November 1, 1983 by issuance of 31 purchase orders. The total amount of payments made without formal contract totalled $401,200.

Arrangements for payments without contracts are considered single sourced purchases. **This practice circumvents competitive pricing obtained by public tender.**

We recommended that contracts not be extended by use of change orders or purchase orders and that payments not be made without formal contracts. In addition, contractors should not be allowed to terminate short term contracts for reason of wage increases. These should be reasonably estimable at the time of contracting or provided for by way of an escalation clause.

Energy Conservation Project

Inadequate planning and ongoing management of an energy conservation retrofit project resulted in inconvenience to employees, disruption of work and unplanned expenditure of $202,000.

The project was initiated to retrofit heating, ventilation and air-conditioning systems. In our discussions with responsible personnel and examination of supporting evidence we determined that:

(i) MGS Design Services Branch did not review the work of consulting engineers engaged to design and manage the retrofit.

(ii) The Regional Office did not ensure that:

(a) The consulting engineers supervised the work of the contractor engaged to perform the retrofit.

(b) The contractor supervised installation of electronic controls by the subcontractor.

(iii) The Regional Manager, knowing the project was dysfunctional and deficient, approved payment in full to the contractor without the certificate of completion.

(iv) Consulting engineers were paid in full on recommendation of the MGS Design Services Branch.

The total paid to consulting engineers and the contractor was $154,000.

Due to numerous complaints, the District Office (formerly Regional Office) was required to undertake an examination of the system. Their report noted major deficiencies and recommended a remedial project which cost $202,000.

We recommended that projects not be undertaken without thorough planning and feasibility reviews. In addition, contracts should not be signed off and fully paid until all deficiencies are corrected and a certificate of completion has been executed.

Preventive Maintenance Program

The Preventive Maintenance Program (PMP) for mechanical systems and equipment was not adequately performed.

The procedures for maintaining mechanical systems and equipment are prescribed in the Division's PMP manual. In our discussions with the responsible personnel at the District Offices visited, we were advised that the prescribed levels of maintenance for mechanical systems and equipment were not adequately carried out for the following reasons:

(i) a reduction of trades staff in the Districts;

(ii) increased privatization of maintenance contracts;

(iii) inadequate supervision and inspection of work done by contractors due to lack of appropriate staff at the Districts;

(iv) lack of staff with the relevant expertise to inspect highly technical systems and controls;

(v) lack of a comprehensive management information system which captures data on the nature and frequency of inspections required for all assets.

This situation had resulted in inadequate maintenance of mechanical systems and equipment which could contribute to unnecessary major repairs or replacements. Efficient and effective management of the PMP would require better planning, organizing and controlling of maintenance tasks. This would require Districts to inventory all the mechanical systems and equipment for which they are responsible together with the PMP requirements for each category of items so inventoried.

We understood the Division had initiated a management review of the PMP commencing with meetings of District Managers.

The foregoing comments were included in a report dated September 28, 1984. The Ministry has not had an opportunity to respond and we are, therefore, unable to present its views on the subject matter.

3.14 Excessive Costs Incurred re Payments under Ontario Drug Benefit Plan, Ministry of Health

Payments under the Ontario Drug Benefit Plan amounted to $254 million for the 1984 fiscal year. During our most recent audit of the Ministry we assessed whether satisfactory procedures were in place to ensure due regard for economy in setting the drug prices listed in the Ontario Drug Benefit Formulary.

We found that procedures were in place to obtain periodic quotations from drug manufacturers for drugs listed in the Ontario Drug Benefit Formulary, but these procedures did not ensure that the listed prices were the most economical.

- **The price of certain multiple source drugs listed in the July 1983 Formulary was higher than the actual manufacturer's selling price to pharmacists resulting in estimated excess drug costs to the Plan of $14.5 million for one year.**
- **Comparison of the price of 30 high volume multiple source drugs in the Ontario and Saskatchewan Drug Benefit Formularies at July 1983 and February 1984 indicated that for 80 per cent of these drugs the Saskatchewan Formulary had a lower price than Ontario.**

DETAILED COMMENTARY

Overview

The Ontario Drug Benefit Plan provides drugs without cost to the following eligible Ontario residents:

1) all persons 65 and over who receive Old Age Security or who have been resident in Ontario for the past 12 months and are either Canadian citizens or landed immigrants;

2) all persons receiving social assistance, extended health care benefits, vocational rehabilitation assistance or who are residents of Homes for Special Care.

Expenditures for the provision of free drugs to eligible Ontario residents under the Plan increased by approximately 200 per cent from the 1979 to the 1984 fiscal years and actual costs were:

	1978-79 ($ millions)	1983-84 ($ millions)
Total expenditure	106.7	303.2
Costs assumed by the Ministry of Community and Social Services for social assistance recipients	17.7	49.1
Net Cost to Ministry of Health	89.0	254.1

The increase was attributable to higher drug costs and dispensing fees, increased utilization of the Plan by participants and a larger number of drugs made available under the Plan.

Prescription Costs

The total cost of a prescription is made up of two components, the dispensing fee and drug cost. We were advised that the dispensing fee as negotiated between the Ministry and the Ontario Pharmacists Association provides for all overhead expenses and an amount for net profit. The drug cost is based upon quoted prices from drug manufacturers, and is included in the Drug Benefit Formulary which is normally published in January and July each year. The price as published in the Formulary is intended to represent the cost to an average community pharmacy for a single package of 100 tablets or capsules except in the case of certain high volume drugs when the cost is based upon a package size of 1,000 tablets or capsules. It was acknowledged by the Ministry that through bulk buying, pharmacies would be able to take advantage of purchase discounts and achieve additional profits.

Formulary Prices

From discussions with the Executive Director of the Drug Programs and Policy Group in February 1984, and with officials of the Pharmaceutical Services Section at Kingston in April 1984, we found that concerns had been raised over the past two years regarding whether the drug prices published in the Formulary represented the true drug cost to pharmacies. Some drugs are manufactured by more than one drug company and are considered interchangeable in their use. Although all quoted prices for an interchangeable drug are shown in the Formulary, the Plan only reimburses the pharmacist for the lowest price shown for the drug, except in special circumstances when the prescribing physician requests no substitution.

We understood that because of marketplace competition among drug manufacturers, a manufacturer's actual selling price of an interchangeable drug to pharmacists in many cases was well below their quoted price listed in the Formulary.

Consequently, excess costs have been incurred by the Plan in these circumstances. In addition, the Formulary has become accepted as a guideline for drug prices in Ontario and thus drug prices to the general public have been higher than warranted.

Investigations by Ministry officials indicated that the lowest quoted prices in the Formulary for the period July to December 1983, for 18 high volume multiple source drugs were far in excess of the actual drug costs to the pharmacist and an estimate of the annual excess cost to the Plan was $14.4 million.

To resolve this situation, the Ministry and the Ontario Pharmacists Association entered into protracted negotiations prior to the publication of the Formulary for the first six months of 1984. These negotiations resulted in 30 high volume multiple source drug prices being revised downwards and published in the Formulary effective February 1, 1984. We were advised that a study was being undertaken, under the direction of an independent third party, to examine and make recommendations to the Minister of Health concerning the pricing of multiple source products in the Formulary and any resulting changes in the arrangement for reimbursement to pharmacies.

Our calculation of the excess drug cost to the Plan used the actual utilization figures of these 30 high volume drugs during the period July 1983 to January 1984. **Based on this calculation, the excess drug cost was computed as $14.5 million on an annual basis.**

Concurrent with the lowering of these drug prices in the Formulary as at February 1, 1984, the dispensing fee was temporarily increased by 35 cents to $5. Consequently, based upon the 22.5 million prescriptions filled annually for Plan participants, future savings in costs should be reduced by $7.9 million to a net of $6.6 million annually.

Comparison of Prices

We also compared the drug prices in the Saskatchewan Formulary with those in the Ontario one for the aforementioned 30 drugs, 29 of which were in both Formularies. The comparison indicated:

	No. of Drugs	Saskatchewan Lower	Ontario Lower
July 1983	29	27	2
February 1984	29	25	4

As at July 1, 1983 the price of these drugs was in many cases at least twice as much in the Ontario Formulary than in the Saskatchewan Formulary. Despite the fact that a price reduction was effected in the February 1984 Ontario Formulary, we found that 25 of the 29 drugs were still priced higher than in the Saskatchewan Formulary for January 1984, of which 6 were more than 70 per cent higher.

We understood that in Saskatchewan drug prices are established for the Formulary through a tendering process which results in standing offer contracts guaranteeing the price for six months. The Saskatchewan Plan provides coverage to all residents of the Province, and therefore the number of participants is equal to its population (968,000, Census 1981). In Ontario the Plan is restricted to certain eligible residents totalling approximately 1.4 million as at January 31, 1984. It is reasonable to assume that a much larger volume of drugs will be dispensed in Ontario for its Drug Benefit Plan than in Saskatchewan, given that 75 per cent of Ontario participants are senior citizens who tend to have a higher utilization of medical drugs than the overall population. **It was difficult to accept therefore why the lowest price quoted in the Ontario Formulary should be higher than in the Saskatchewan Formulary.**

Pending the findings and recommendations of the study previously referred to, the completion of which was expected in August 1984, we made the following suggestions for consideration of the Ministry:

—The Ministry require some process whereby the average selling price of drugs by manufacturers to pharmacists can be verified to ensure that the quotes submitted for drug prices to be listed in the Formulary are reasonable.

—More frequent and systematic comparisons be made of drug prices listed in other Provincial Formularies to ensure that Ontario prices are relatively consistent with those of other Provincial Drug Benefit Plans.

The Ministry responded to our comments as follows:

"Over the past two years multiple source drug prices listed in the Ontario Drug Benefit Formulary/PARCOST Comparative Drug Index showed a widening variance from the actual prices pharmaceutical manufacturers received for their drugs in the Ontario marketplace. A process of gathering more comprehensive data than was previously available was begun in 1982 in an attempt to quantify these differences.

"By early 1983 it had become apparent that action was required since the difference between the Formulary price and the actual acquisition cost (paid by pharmacies) of some drugs had continued to widen, particularly in the case of a few high volume multiple-source 'interchangeable' drug products.

"Discussions were commenced with the manufacturers and the OPA concerning the situation which led to a substantial

reduction in June 1983 to the Formulary listed price of various strengths of the high volume drug Cimetidine.

"The institution of revised procedures for obtaining price quotations from pharmaceutical manufacturers, including the gathering of more sales data on an ongoing basis was started. Based on an analysis, a target group of 30 high volume multiple-source drugs were selected where appropriate steps were to be taken to reduce the listed price of these drugs.

"Extensive discussions between the Ministry and senior representatives of the pharmaceutical industry and the Ontario Pharmacists' Association concluded in February 1984 with an agreement which incorporated the reduction of the listed prices of 30 high volume drugs.

"As part of the agreement, in March 1984, a commission was established under Dr. J.R.M. Gordon, Dean of the School of Business at Queen's University, to study the issue and to present findings and recommendations.

"The Ministry of Health, the Ontario Pharmacists' Association, the Canadian Drug Manufacturers' Association, the Pharmaceutical Manufacturers' Association of Canada were the four major parties involved in the review.

"The major thrust of the Commission centered on the Formulary listed price issue as is evidenced by the Commissioner's primary term of reference set out below.

> *'On what bases and by what means should the prices for multiple-source products be determined for the purposes of listing in the PARCOST C.D.I. and the Ontario Drug Benefit Formulary in their present form or as they may be amended?'*

"Commissioner Gordon formally submitted his report to the Minister of Health in September, 1984.

"The report of the Commission is under review by the Ministry and other affected organizations. The four principal parties have met, and have obtained clarification of various matters addressed in the report. The Ministry has formally asked the other three principal parties, and the Ontario College of Pharmacists for their comments.

"The Gordon Commission report provides a comprehensive review on multiple source drugs. The implications of the Commissioner's Report are now being evaluated. After receiving comments from the affected parties, the Ministry will implement revised procedures to obtain and verify multiple source drug prices including a systematic review of prices for other provincial drug plans."

3.15 Potential for Increased Revenue and Recoveries, Ontario Health Insurance Plan, Ministry of Health

An objective of a recent audit of the Ministry was to assess the adequacy of internal controls, including compliance with legislation and administrative policies pertaining to the:

—premium revenue and billing systems of the Ontario Health Insurance Plan (OHIP); and

—payment of medical claims submitted by physicians, practitioners or subscribers.

We concluded that internal controls and compliance with legislation and administrative policies covering OHIP premium revenue, billing systems and payment of medical claims were generally satisfactory. Certain matters, however, were brought to the attention of management.

- **There was no verification of the estimated taxable income used as the basis to approve premium assistance. According to an internal OHIP report this resulted in improperly waived premium revenue of $2 million in the 1983 fiscal year.**

- **A computerized Physicians Monitoring System (PMS), which provides a comprehensive screening of physicians' practices to detect deviant billing patterns, became operational in August 1983. Development costs were approximately $650,000. Although this system identified a much larger number of practices subject to review and analysis, no increase was indicated in the number of referrals to the Medical Review Committee (MRC).**

- **About one half ($1.4 million) of amounts recoverable from physicians was being appealed to the Health Services Appeal Board (HSAB). Contrary to section 24(5) of the Health Insurance Act, OHIP's policy is not to take recovery action until after an appeal hearing. This, together with the slowness of hearings before the HSAB, could be encouraging the high incidence of appeals.**

DETAILED COMMENTARY

Overview

The Ontario Health Insurance Plan is designed to assure access to health care services as defined in the Health Insurance Act to all residents of Ontario who are insured persons of the Plan.

For the 1984 fiscal year, OHIP premium revenue amounted to $1,479 million, and payments made for services and care provided by physicians and practitioners totalled $2,149 million. These payments are charged to the Ministry's Health Insurance Program.

Additional payments for insured services provided by public hospitals and related facilities amounted $3,804 million in the 1984 fiscal year, and are charged to the Institutional Health Program.

Exemption from Premiums and Premium Assistance

Exemption from premiums is afforded to eligible residents of Ontario such as persons 65 years of age and over and recipients of social assistance. Full or partial assistance is granted for a full year to Ontario residents whose taxable income is below a certain level or on a temporary basis, dependent upon a person's circumstances.

Premiums waived under the assistance programs totalled $666 million in 1982-83 and $651 million for the 10 months ended January 31, 1984. A summary of premiums waived is as follows:

	1982-83	10 mos. to Jan 31/84
	($ millions)	
Fully waived:		
Senior citizens	404	379
Other	106	115
Partially waived	156	157
Total	666	651

A full year's exemption is granted to single persons or to persons with dependants where taxable income for the year does not exceed $3,000 or $3,500 respectively. The assistance is based upon the estimated taxable income of the applicant, in the calendar year in which the application is made, and assistance is granted from April 1 for a full year.

The use of taxable income as the criterion for assistance allows for the deduction of RRSPs and RHOSPs and other tax shelters, and does not take into account the net worth of the applicant. **In addition there was no verification of estimated taxable income to actual as reported by the applicant to Revenue Canada, despite the signed declaration by the applicant allowing OHIP to**

verify all statements on the application. Consequently, there was no assurance that full premium assistance was warranted in all cases.

The Financial Inspection Unit of OHIP performed a review of premium assistance granted in 1982-83, by examining a sample of renewal applications for 1983, and comparing actual 1982 income required to be reported by the applicants on their 1983 renewal applications to the estimated income reported originally. **The report covering this review was issued January 18, 1984 and indicated that in approximately 4 per cent of the 1982 approved applications, actual taxable income that was reported exceeded the maximum levels on which full premium assistance was granted. This percentage represented approximately $2 million of improperly waived revenue in 1982-83.**

We noted that, in another Province, premium assistance is based upon the actual taxable income of the preceding year and the assistance year runs from July 1-June 30. By September of the assistance year, the actual taxable income of the applicant has been verified with Revenue Canada. Under this method non-eligible persons are detected currently and premiums may be recovered retroactively. These procedures resulted in recoveries of approximately $400,000 each year in 1981-82 and 1982-83 at a cost of $70,000 annually.

It is reasonable to assume that with the present economic climate prevailing in Canada a high level of premium assistance will continue. Because waived premium revenue under the premium assistance program is relatively high and the criterion used in the assessment process is not verified, we recommended that the present premium assistance program be reviewed and

—In accordance with the recommendation in our audit report to the Ministry dated September 28, 1982, consideration be given to arranging with Revenue Canada for the release of tax return information on a selective basis to ensure that full premium assistance granted in the prior year was proper.

—The premium assistance application form be revised so that tax shelters such as RRSPs and RHOSPs are not included in the calculation of estimated taxable income for premium assistance purposes.

Review Committees

The Medical and Practitioner Review Committees conduct their work under the authority of sections 5 and 6 of the Health Insurance Act. Part of their responsibilities is to make recommendations to the General Manager of OHIP on any matters referred to them under section 24 of the Act concerning the propriety of claims for insured services rendered by a physician to OHIP for payment. Our audit was confined to an examination

of procedures leading up to referrals to the Medical Review Committee (MRC) and subsequent disposition, as the majority of referrals are made to this committee.

Referrals

In a prior audit report dated July 3, 1979 we commented on the large number of referrals which had been outstanding for more than 18 months. During this audit we noted that all these old referrals had received decisions, and for the year ended March 31, 1984 the average length of time from referral to decision was 7½ months. The total number of outstanding referrals with MRC at March 31, 1984 was 82 of which only ten were over eighteen months old.

Referrals to the MRC are initiated by the Profiles Analysis Section. **To assist this section to become more effective in the selection of physicians' practices to be reviewed, a computerized Physicians Monitoring System (PMS) was developed in four phases from November 1978 to June 1983. Development costs were approximately $650,000 and the system was operational in August 1983 and used to analyse services rendered by physicians during the 1983 fiscal year.**

The PMS provides a comprehensive screening of physicians who are all subject to the same criteria, and identifies those physicians whose patterns of practice deviate sufficiently from their peers to warrant further investigation by the Profiles Analysis Section. To assess the effectiveness of the PMS we compared the number of physician profiles reviewed in a similar period before and after the implementation of PMS.

	# of Physician Profiles Reviewed	# of Referrals Prepared
August 1982-January 1983	163	36
August 1983-January 1984	423	32

It was acknowledged that the PMS had only been in operation for a short period, but in comparing the statistics for the two periods we noted that there was no increase in the number of referrals to the MRC, despite the fact that the number of practices reviewed increased by 260. In addition we found no evidence of summary reports indicating why 391 of the 423 practices reviewed during the six months ended January 31, 1984 were not referred to the MRC.

We suggested that such reports would be a useful management tool in assessing the effectiveness of PMS. In our discussions with management it was indicated that a post implementation review of the PMS would be carried out to ensure its optimum effectiveness in the identification of potential referrals.

Recoveries

During the ten months ended January 31, 1984 recoveries on recommendations from the Medical Review and Practitioner Review Committees amounted to $459,000 and $73,000, while outstanding amounts at January 31, 1984 totalled $2,874,000 and $607,000 respectively. A review of the outstanding balances maintained by the Medical Claims Payments Section indicated the following breakdown:

	No. of Accts.	Medical Review ($000)	No. of Accts.	Practitioner Review ($000)
Cases under appeal	48	1,414	5	43
Bankruptcies	5	455	2	37
No longer residing in Canada/Ontario	16	449	4	88
Recoverable amounts incurred prior to April 1983 on which no recoveries made in 1983-84	3	60	14	224
Balances on which recoveries are currently being made	40	496	20	215
	112	2,874	45	607

Under sections 26 and 30 of the Health Insurance Act a physician or practitioner may appeal a recommendation of the review committees to the Health Services Appeal Board, with further appeal to Divisional Court. **Subsection 5 of section 24 states that pending the decision of the Appeal Board or the Supreme Court, the General Manager shall carry out the recommendations of the review committees. The policy of OHIP is to take no action in recovering the amount due until a final decision is made under the appeal process.**

As shown previously, at January 31, 1984 there were 48 cases totalling $1,414,000 under appeal with the Appeal Board regarding recommendations of the Medical Review Committee. These figures increased to 54 cases totalling $1,614,000 at the end of March 1984.

We were advised that the Board sits for three days each month and according to statistics for the six years 1978 through 1983, an average of 6 physicians' appeals were completed each year. In addition a further average of six appeals each year were finalized through agreement between OHIP and the physician of the recoverable amount immediately prior to the hearing. Consequently, it will be approximately four years before all the appeals outstanding at the end of March 1984 will be completed.

We felt that the policy of "no recovery" until the decision of the Appeal Board has been handed down, encourages requests for appeals whether legitimate or

not, as the physician effectively delays repayment and has use of these funds for up to four years with no penalty or interest. Additionally, the slowness of the appeal process allows ample time for individual physicians to make arrangements to avoid repayment by declaring bankruptcy or leaving Ontario. We noted in three cases where personal bankruptcy was declared, that subsequent billings paid by OHIP far exceeded the recoverable amount.

We noted that approval to write off 26 physicians/practitioners accounts totalling $436,000 in the 1984 fiscal year was obtained via Order in Council 862/84 dated March 29, 1984. The write-off included certain of the overpayments then considered uncollectible as debtors were bankrupt, deceased, had left Canada or could not be located, and were included in the outstanding balances shown previously in this report.

To ensure a more effective collection of recoverable amounts established from recommendations of the review committees, we recommended that the Ministry and OHIP consider:

—reviewing the Health Services Appeal Board's activities and work load in an effort to reduce the time frame between the registering of an appeal and the hearing decision;

—enforcement of the provisions of section 24(5) of the Health Insurance Act;

—charging interest on all amounts from the date they are established as recoverable.

The Ministry subsequently responded as follows:

Exemption from Premiums and Premium Assistance

"The Premium Assistance Program was initiated to aid in ensuring that financial hardship does not create a barrier to health care coverage. The design of the program intentionally provides assistance when it is needed, rather than in the following taxation year and, by making the program structure as simple as possible, explicitly aims at avoiding any disincentive for Ontario residents wishing to apply for premium assistance.

"The premium assistance program has been designed to make it as simple as possible to foster understanding and universal accessibility. However, as your report indicates, there are a number of aspects of the program, including the tax shelter issue, that should be re-examined. OHIP is now in the process of completing a review which is intended to result in specific recommendations to strengthen program design and administration.

"As part of this project, the possibility of verifying income estimates through Revenue Canada will be fully explored. However, the idea presents technical problems. For instance, linkage with income tax records would require OHIP to obtain the Social Insurance Number of applicants since this number is used by Revenue Canada to file taxation records. A proposal to require this information would have to be reviewed very carefully because of the desire to limit the use of the Social Insurance Number to protect individual privacy."

Referrals to Medical Review Committee

"The Physicians' Monitoring System is a sophisticated computer-based monitoring mechanism which identifies questionable billing patterns of physicians and compares them to model practices based on multiple data sources. It screens the profiles of practising Ontario doctors and according to combinations of 30 variables measured against 5 criteria, identifies practices with unusual billing patterns. These practices are further analysed using the OHIP Profile System and copies of claim cards. This analysis is carried out by a physician who takes other factors into account in determining whether a practice should be referred to the Medical Review Committee. The function of the Physicians' Monitoring System is to provide an objective, fair, method of reviewing physicians' practices rather than to necessarily increase the number of referrals. The Medical Review Committee process is prolonged and expensive, and unnecessary referrals would be counter productive. The Physicians' Monitoring System has a demonstrated capacity to reduce unnecessary referrals.

"OHIP does keep a written record with notations of the rationale for all cases identified by the PMS which did not lead to referrals. In each case, detailed profiles were ordered on the 391 practices in order to investigate them further. The findings of the extra review indicated that referral to the MRC was not justified.

"The recommendation for the adoption of more formal recording and evaluation processes by management is accepted.

"The latest available annual statistics regarding referrals are as follows:

Year	Referrals to MRC	MRC Recovery Recommendation	% of Referrals Leading to Recovery
1980	56	40	71%
1981	65	43	66%
1982*	67	52	81%

* 3 cases still outstanding

"The PMS had been in operation for less than one year at the time of the auditor's study. A post-implementation review of the PMS is currently in progress. The audit recommendations for procedural improvements in the system will be carefully reviewed."

Recoveries

"OHIP's policies regarding recovery of overpayments are intended to ensure uniform application for both opt-in and opt-out physicians. Section 24(5) of the Health Insurance Act specifies that the General Manager will recover funds from an opt-in physician on the recommendation of the Medical Review Committee. Section 31 states that opt-out physicians do not have to repay funds until their appeals are completed. OHIP's policy has been not to collect from opt-in doctors until the appeal process has been concluded.

"The Ministry is informed that the Health Services Appeal Board is in the process of reviewing its procedures to reduce the backlog of appeals.

"With the recent amendments to the Financial Administration Act, a review of the interest payment policy has commenced in relation to recoveries."

3.16 Wasted Publication Expenditure, Ministry of Health

During the course of a recent audit of the Health Insurance Program, we noted that 102,000 copies of a publication titled "OHIP Handbook for Groups" were printed for distribution to all group administrators. **Numerous errors were discovered in this booklet and all copies were subsequently destroyed, resulting in wasted expenditure of $84,000.**

In the fall of 1983 it was decided to produce an updated version of a booklet titled "OHIP Handbook for Groups", for distribution to group administrators. The handbook contained relevant information on OHIP forms, procedures and policies to ensure group administrators were fully

aware of their responsibilities to their employers, employees and the Plan.

We were advised that the task of updating the booklet was the responsibility of the Enrolment Services Branch of OHIP. The design and printing was undertaken by the Health Promotion and Information Branch and production costs were charged against the appropriation of that branch. A total of 100,000 English and 2,000 French booklets were printed and the cost which included design, artwork, printing, translation and proofreading amounted to $84,000.

The booklets were received by OHIP in Kingston in February 1984. **Prior to distribution to groups several inaccuracies and typographical errors were discovered. Subsequently the publication was not distributed and the complete shipment destroyed.**

We recommended that future printing layouts and galley proofs be more carefully screened and proofread prior to authorization of the final printing order.

The Deputy Minister replied as follows:

> *"Inaccuracies in the Group Handbook were the result of departures from Ministry procedures which occurred as part of the organizational disruption caused by OHIP's move to Kingston. Communications were temporarily disrupted as OHIP hired 80% new staff and relocated its operations. Inexperienced staff with no firmly established relationship with the Health Promotion and Information Branch in Toronto, further exacerbated the difficulty of ensuring accuracy in publications. Nevertheless, disciplinary action has been taken where warranted, and measures have been initiated to ensure that such a problem will not recur. A rigorous system of approvals, screening and proofreading at every stage of production is now in place for all publications to ensure that procedures are followed. No printing can take place without approval of executive staff as specified in a recent policy directive dated July 13, 1984 issued by the Deputy Minister to all branches of the Ministry of Health."*

3.17 Non-Compliance Noted re Ontario Youth Employment Program, Ministry of Municipal Affairs and Housing

In a recent audit of payments under the Ontario Youth Employment Program (OYEP), we assessed the adequacy of controls to ensure

compliance with the Ontario Youth Employment Act. Grants to employers under this Program for the 1984 fiscal year were $26.9 million.

We noted areas where improvements were required. Specifically,

- **Payments to employers were approved without having obtained proper authority from the Minister;**
- **More than $200,000 in claims from employers was accepted after the stipulated deadline; and**
- **Interest was not charged on overdue accounts as prescribed by the Act.**

We concluded that the program's staff utilization, including audit selection and review process, was satisfactory to ensure employers' compliance with the Ontario Youth Employment Act.

DETAILED COMMENTARY

Overview

The Ontario Youth Employment Program was introduced in 1977 to encourage employers to hire Ontario youths during the summer months. Employers are paid a grant to hire youths between the ages of fifteen and twenty-five to work full time for a period of between eight and twenty weeks. The program is administered by the Subsidies Branch which is responsible for program delivery and monitoring employers' adherence to the Program's regulations through annual audits of selected employers.

Authority to Make Grant Payments

Section 6 of the Ministry of Municipal Affairs and Housing Act, 1981, empowers the Minister of Municipal Affairs and Housing to delegate in writing his powers under the Act, or any other Act he is responsible for, to Ministry employees. Accordingly, the Minister's responsibilities pursuant to sections 6 and 7 of the Ontario Youth Employment Act regarding the inspection of premises and records have been delegated, in writing, to an official in the Subsidies Branch. **However, no such delegated authority in writing had been given to permit the Branch to make grants under Section 3 of the Ontario Youth Employment Act.**

At the time of our audit the Ministry's solicitor had begun the process of rectifying this omission.

Contravention of Regulations

In our review of the administrative policies of the Branch, we noted that a Regulation under the Ontario Youth Employment Act was incorrectly interpreted. Section 7(3) of Regulation 195/82 under the Ontario Youth Employment Act states that no grant is payable "unless the

claim therefor has been received by the Minister on or before the 31st day of January, 1983."

We noted that the OYEP administrative policies pertaining to the 1982 claims, however, allowed claims from employers to be accepted as late as February 28, 1983 providing funds were available.

We estimated that payment of the late claims totalled in excess of $200,000.

Interest on Accounts Receivable

Section 9 of the Ontario Youth Employment Act states:

> "Where any person obtains a grant or disbursement of funds under this Act or the regulations, on the basis of information that is false or misleading or an application that contains any false or misleading statement, the amount of such grant or disbursement together with interest thereon at the prescribed rate, shall be deemed to be a debt due to the Crown and may be recovered by an action in a court of competent jurisdiction."

From inception of the program in 1977 to September 1983, the Branch billed employers for refunds totalling approximately $1.2 million, averaging $200,000 per year. By not invoking the interest provision of the Act, the Ministry has lost an estimated $40,000 in interest revenue.

On August 14, 1984, the Deputy Minister replied as follows:

> *"The lack of a written delegated authority has now been rectified and the required documentation is now in place.*
>
> *"We note your findings regarding making grants based on claims filed after the 31st of January, 1983. In future Subsidies Branch will adhere to the regulation regarding time-limits. Also interest will be charged on refunds."*

3.18 Improvements in Economy and Efficiency Warranted re Outdoor Recreation Program, Ministry of Natural Resources

For the Wildlife, Fisheries and Parks and Recreational Areas Branches of the Outdoor Recreation Program, we assessed the adequacy of management controls designed to ensure due regard to economy, efficiency and effectiveness. Expenditures under this Program were $75.4 million for the 1984 fiscal year.

We concluded that management controls for the three branches were, for

the most part, adequate. However, we noted a number of areas where improvements could be made.

Wildlife Branch

- **A more humane animal trap was developed in 1979 for which an excellent marketing opportunity existed but was not capitalized on.**
- **Due to an error in a computer program, an additional [illegible] moose over and above the initial program target may have been "harvested".**

Fisheries Branch

- **Pre and post stocking assessments of water bodies were seldom carried out to ensure stocking efforts were directed to areas of highest priority.**
- **26 of the 43 districts which stocked fish in the past year were not stocking to meet the primary objective of the program, i.e., to rehabilitate the fish population.**
- **It may be appropriate to again assess the impact of not having resident fishing licences.**

Park and Recreational Areas Branch

- **Wage rates for seasonal staff were much higher than rates used by other provincial organizations for similar work.**
- **The continuous use of consultants by the Development Section was contrary to the Ontario Manual of Administration.**

DETAILED COMMENTARY

Overview

The Outdoor Recreation Program is comprised of three branches and is responsible for managing Ontario's resources of wildlife, fish, provincial parks and recreational areas, and for planning and providing recreational opportunities afforded by these resources.

Although we visited two regional offices (Eastern and Northeastern) and 6 district offices (Sudbury, North Bay, Wawa, Napanee, Tweed and Huronia) our audit concentrated on the main offices of the Wildlife, Fisheries and Parks and Recreational Areas Branches. The main office branches are responsible for developing policies and guidelines and for providing technical assistance to the field staff. The day to day program delivery is the responsibility of the Ministry's 8 regional and 47 district offices.

Wildlife Branch

The Wildlife Branch is primarily responsible for the enforcement of hunting regulations, wildlife research, population and harvest management programs.

Humane Trap

In 1979, after seven years of research, an employee of the Wildlife Branch developed a new type of animal trap. The Ministry determined that this was a more humane trap than the conventional steel-jawed leghold trap and should be made available to trappers. In October 1980 the Minister stated that patents had been applied for and the new trap was expected to be manufactured and on the market in the spring of 1981.

As leghold traps were increasingly being banned in various jurisdictions throughout North America and Europe, it was felt that an excellent marketing opportunity existed, both in Ontario and worldwide, for this trap. Generally, traps and related accessories are manufactured almost exclusively in the United States.

The former Ministry of Industry and Tourism advertised for potential manufacturers and in March 1981 a contract to initially manufacture and market 12,000 traps was awarded. Although assisted by Ministry of Industry and Tourism field advisers, it was evident that by November 1981, the manufacturer was unable to produce traps on schedule and of an acceptable quality. **In May 1982 the manufacturer was paid $55,000 to terminate the contract and return any related parts and materials to the Ministry of Natural Resources.** Subsequently, the Ministry engaged an engineering firm to prepare more detailed technical specifications in order to provide clearer instructions to the next manufacturer. However, the Branch was concerned that the expertise was not available to find a suitable manufacturer and execute the necessary contractual requirements.

In August 1981, the Ontario Trappers Association, a nonprofit organization, stated that they preferred the new trap and would be willing to undertake the sales and distribution of the trap to ensure it got into the hands of the trappers as quickly as possible. In September 1983, the Deputy Minister tentatively approved an arrangement with the Ontario Trappers Association allowing them to manufacture and market the trap. **This undertaking was never formalized and we understood that in April 1984, the Association decided not to enter into an agreement with the Ministry.**

Regarding the patenting of the foot snare trap, the Ministry had spent approximately $75,000 in legal and patent fees. In late 1981, a U.S. corporation began marketing a trap very similar to the foot snare trap and which, in the opinion of the Ministry's legal counsel, was infringing on the Ministry's

patent. Although the Ministry sent a letter to the Ministry of the Attorney General requesting action be taken, we were advised that no response had been received.

Moose Management Program

In 1975, an aerial survey completed by the Ministry noted that the moose population in Ontario had declined from 125,000 in 1968 to 80,000. A major undertaking was initiated and the Ministry determined that measures had to be introduced to increase the population of moose to a more acceptable level. The Ministry's Moose Management Policy, written in 1980, set 100,000 moose as the population target for 1985 and 160,000 moose by the year 2000.

To achieve these objectives, a selective harvest system was introduced in 1983 to restrict the hunting of adult moose. Generally, only hunters holding a validation tag issued by the Ministry would qualify to hunt. Approximately 87,000 hunters applied for the 38,040 validation tags to be issued for the 1983 moose hunting season.

The Ministry then hired a firm to write a computer program to randomly select the 38,040 applicants who would receive validation tags. **However, due to an error in the computer program, the draw favoured older hunters over younger hunters. To mitigate this inequity, the Ministry held a second draw where 12,544 additional tags were issued.**

With respect to this error, we noted that in a press release dated July 21, 1983, the Ministry announced that as a result of the second draw an additional 750 moose would be harvested. **Based on the 1982 success rate of 12 per cent (which agrees with the branch's estimated success rate for 1983-84), a more realistic figure would have been 1,500 moose or approximately 2 per cent of the entire moose herd.**

Additionally, the effect of this error would be most significant in regions with a large number of applicants and where hunter pressure would be the highest. For example, in one region an additional 6,151 tags were issued representing a 61 per cent increase over the initial allotment of tags.

We were advised that there also had been problems with the 1984 selection process because the computer selection did not include all of the names of licence applicants.

Fisheries Branch

The Fisheries Component of the Outdoor Recreation Program is primarily responsible for the enforcement of fishing regulations, stocking, assessment and research activities.

Fish Stocking Program

The primary objective of the fish stocking program is to rehabilitate self-sustaining fisheries. Additionally, the program provides both natural and "artificial" fishing opportunities to the public by stocking fish in water bodies in Ontario. "Artificial" fishing opportunities are provided when fish are stocked in areas where they will not reproduce naturally. At present, the Ministry places between six to eight million fish annually in approximately 1,000 water bodies in the Province. Total expenditures for this program were approximately $4.6 million in the 1984 fiscal year including $1.3 million for new capital development.

From our review of the fish stocking program, we noted the following areas of concern.

Deviation from Guidelines

(a) In 1982 the Fish Culture Section prepared 'General Guidelines for Stocking Hatchery Fish', which state:

> "There are a number of physical, chemical and biological conditions in waters which will affect the success of fish stocking. These conditions must be determined prior to stocking taking place. As a minimum requirement, no stocking should be done in any water without a previous aquatic habitat inventory survey according to the methods described in MNR Manual of Instructions — Aquatic Habitat Inventory Surveys."

In four of the districts visited during our audit, we noted that the above requirement was not always being followed. In 1983 a total of 793,000 fish were stocked by these four districts, of which approximately 62,000 were stocked in 28 lakes and rivers which had never been previously surveyed.

We understood that the survival rate of fish stocked varies from approximately 0.5 per cent to 30 per cent depending on a number of variables. For instance, both water temperature and dissolved oxygen concentration have a significant effect on survival rates. Without assessing these and other variables, it is conceivable that stocking could take place in bodies of water unsuited for that particular species of fish.

(b) The survival rate of fish stocked is an important measure of the success of the fish stocking program. Therefore, after stocking, periodic assessments should be made to determine whether or not a water body should continue to be stocked and when, where and what type of fish to stock. As outlined in the Ministry's 'General Guidelines for Stocking Hatchery Fish', data obtained in an assessment should include information to ascertain:

(i) total fishing pressure;

(ii) total harvest of stocked fish;

(iii) survival and growth of stocked fish; and

(iv) contribution to natural reproduction, where applicable.

In addition, the guidelines strongly recommended a standardized program of assessment be developed to ensure that on a rotating basis approximately 10 per cent of the stocked waters, with a minimum of one per district, are quantitatively evaluated each year.

During our review we were informed that post-stocking assessments were seldom carried out by the districts. We understood that the Fish Culture Section of the branch had received less than 20 assessment reports out of all the water bodies stocked in the past year.

We recommended that assessments be performed to ensure the stocking efforts were directed to areas of highest priority and were carried out in the most efficient manner.

Stocking Priority

In 43 districts which stocked fish in 1983 we found that 26 were stocking solely to provide artificial fishing opportunities. Furthermore, there was no evidence that a quantitative analysis of fishing demand and current fish population was performed prior to stocking water bodies for artificial fishing opportunities. **While recognizing that the provision of artificial fishing opportunities was necessary to alleviate fishing pressure, we were concerned with the lack of a long term program in these districts aimed at rehabilitating the fish population.**

We recommended that the present policy on stocking be reviewed to take this into consideration.

User Fees and Resident Angling Licences

Currently, there are no fishing fees or licences for residents of Ontario fishing in Ontario. During our review we noted that:

- The Ministry did not have a clear statement of policy on pricing — one that was consistent amongst all programs. **While provincial park users must pay entrance fees and hunters must purchase a hunting licence, resident anglers do not have to pay a fee to utilize the fishing resources of the Province.**

Although Ontario introduced a resident angling licence in 1969, it was withdrawn after one year. **We were advised that Ontario is the only jurisdiction in North America without a resident angling licence.**

Based on Ministry estimates, projected annual revenue from a $5 licence would be between $5 million and $10 million.

- A Ministry study had shown that the institution of fishing user fees for residents of Ontario would be an important source of revenue which could contribute significantly to existing angler oriented programs.

- Licensing of resident anglers would also provide a data base that is presently lacking. Without such a data base, angler information must be obtained from expensive, less frequent and relatively inefficient large scale surveys.

Accordingly, we recommended that the impact of not having resident fishing licences be assessed again.

Parks and Recreational Areas Branch

The Parks and Recreational Areas Branch is primarily responsible for the operation of the 131 provincial parks in Ontario. The parks are divided into six classifications, based on environmental features and the type of recreational activities provided: wilderness, nature reserves, historical, natural environment, waterways and recreation.

Rates of Pay — Seasonal Staff

During the summer the Ministry hires seasonal staff to work in provincial parks primarily as gate staff and manual workers.

We noted that the wage rates used by the Ministry for seasonal staff were much higher than those of other provincial organizations for similar work. For example, the Ministry pays unclassified gate staff $7.91 per hour and student workers between $5.54 and $7.39 per hour depending on their experience, while two provincial parks commissions pay $3.85 and $4.10 per hour respectively for similar positions.

Ten of the larger districts, which together spend approximately 57 per cent of the total budget of the Parks and Recreational Areas Branch, use gate staff for approximately 112,000 hours during the summer. By reducing the wage rates for gate staff by $1.50 per hour, the Ministry would save $170,000 in these ten districts alone. This amount would be much higher if the rates for manual workers were also reduced.

While we were advised that the Branch has consulted the Personnel Services Branch of the Ministry on this issue, little progress had been made at the time of our audit.

Hiring of Consultants

Since the 1960's, the Development Section has continuously used the services of consulting firms to provide full time staff assistance to the Section, as needed. Additionally, consultants often worked for the Ministry for periods of a year or longer; for instance, we noted that one consultant being paid $23.50 an hour had been employed by the Branch since February 1980.

The continual use of a consultant was contrary to Section 50-4 of the Ontario Manual of Administration which states that "Ministries shall not engage consultants on service contracts for the performance of work that is both full time and continuous." In addition ". . . ministries shall not allow a supplier to develop a privileged relationship with the ministry as a result of an indefinitely continuing assignment. Specific assignments shall not exceed three years without Management Board approval."

We could find no evidence of Management Board approval and understood that the retention of such services did not even require approval at the Director level of the Branch. In addition, in spite of the length of these engagements, no written performance evaluations were prepared for any of these consultants.

We recommended that the Ministry:

(1) review the arrangements with the consulting firm to determine whether it would be more economical to hire contract staff; and

(2) prepare performance evaluations for these consultants.

The foregoing comments were included in a report dated September 28, 1984. The Ministry has not had an opportunity to respond and we are, therefore, unable to present its views on the subject matter.

3.19 Status of the Telecommunications Project, Ministry of the Solicitor General

In section 3.15 of our 1983 Report, we commented on the escalating cost of the O.P.P. Telecommunications Project. The initial estimate approved by Management Board of Cabinet in January 1980 was for $24.4 million. In August 1982, a further application and report to Management Board presented a revised estimate of $54.5 million, which represented an increase of 123% over the initially approved amount.

In December 1982 a Project Review Committee (PRC), chaired by a senior official from the Management Board Secretariat, submitted a report to Management Board which included a number of recommendations designed to improve management control over the project. Also included in the submission was a report by a Technical Advisors Team which estimated the total project costs at $66-71 million. Immediately following the PRC report, a Cabinet Minute was issued on December 15, 1982 which requested that a Project Team be established under a General Manager and that the Ministry submit an Implementation Alternatives Report, including total Project costs, by July 1, 1983.

As a result, a Project Team was established and new senior

personnel were appointed in early 1983. The Project Team identified three immediate priorities, which were outlined by the Deputy Solicitor General at the March 1, 1984 meeting of the Standing Public Accounts Committee.

- Improve the overall management of the Project;
- Address several issues related to the outstanding equipment contract; and
- Prepare the Implementation Alternatives Report (IAR) as requested by Cabinet.

We have been advised by management that the status of each priority is as follows:

- The Team has developed and implemented a project management system and reviewed all financial and administrative procedures for the Project, with modifications being made where appropriate. An internal audit report confirmed that all necessary management controls were in place with the exception of an inventory control system. This area was in the process of being addressed.
- The Project Team requested and obtained approval from Management Board to commit additional funds for the acquisition of the necessary facilities and services to proceed with a field test of contracted equipment. The field test was scheduled for completion in October 1984. The results of the test will be evaluated and reported to Management Board as the first section of the IAR.
- The IAR was not submitted to Management Board by July 1, 1983 as originally requested. However, Management Board acknowledged the Ministry's commitment to provide the IAR by June 30, 1984. On June 29, 1984 the Deputy Solicitor General informed Management Board that, as a result of several delays, the projected date for the finalization of the report had been changed to March 31, 1985.

In the meantime, however, a technical consultant has been contracted to manage the completion of the report, additional engineering staff have been hired and a preliminary report plan has been prepared.

The Project's current (September 1984) spending level approved by Management Board is $31.3 million. Actual expenditures from Project inception to September 30, 1984 total approximately $19.6 million.

3.20 Lack of Efficiency re Examination, Inspection and Enforcement Activity, Ministry of Transportation and Communications

One segment of a recent audit of the Ministry dealt with the Examination, Inspection and Enforcement Activity which had expenditures for the 1984 fiscal year of $26.5 million. One of our objectives was to assess the adequacy of management controls in place to properly monitor and evaluate the efficient utilization of regional resources.

We concluded that improvements were required over management controls in place to monitor and report on the utilization of regional human resources.

- **The Highway Carrier function lacked an adequate system of control to ensure inspections by staff were being conducted in a complete and consistent manner.**

- **The adequacy of staff levels could not be accurately established in the absence of a desired level of enforcement for the Highway Carrier sub-activity.**

However, we understood that a Management Reporting System was to be fully implemented in 1984 which should provide management with the necessary data to assist them in monitoring the utilization of resources.

DETAILED FINDINGS AND RECOMMENDATIONS

Overview

The major sub-activities of the Examination, Inspection and Enforcement Activity are:

Driver Examination

The objective of this sub-activity is to ensure that future drivers are both physically and mentally capable of safely handling a motor vehicle in accordance with the rules and regulations regarding traffic and pedestrian safety. The testing of potential drivers is done by Ministry examiners located in 163 test facilities. Expenditures for the 1984 fiscal year were $7.7 million.

Highway Carrier

The objective of this sub-activity is to ensure that all highway carriers and truck operators operate in accordance with provincial safety, weight and licensing regulations. Through the physical inspection of trucks at weigh stations and mobile patrols, Ministry personnel are responsible for enforcing provisions under the Highway Traffic Act, the Public Vehicles Act and the Public Commercial Vehicles Act. Expenditures for the 1984 fiscal year were $5.6 million.

Vehicle Inspection

The objective of this sub-activity is to ensure all vehicles travelling on Ontario highways are mechanically fit and to ensure a thorough check is carried out on used vehicles before a certificate of mechanical fitness is issued. Vehicle safety is monitored through the motor vehicle inspection station and commercial motor vehicle inspection programs. Expenditures for the 1984 fiscal year were $3.7 million.

Weaknesses in System to Monitor Highway Carrier Inspections

We felt there were several inherent weaknesses in the present system and questioned whether the Ministry was obtaining sufficient information to determine that the level and consistency of enforcement throughout the Province was adequate.

—**Inspections carried out were not documented by way of an inspection report.** Reports were only generated in those instances where an inspector had observed a violation. Consequently, the inspector's judgement could not be monitored in cases where violations were not noted.

—**Visual inspections of vehicles as they drive through the station (sight checks) were not differentiated from the more complete physical inspections in arriving at reported total inspections.**

—**The number of inspections conducted at weigh stations was not maintained by individual inspector.** Rather, the number of daily inspections conducted was divided equally among the station's crew.

We recommended that management consider:

(1) the feasibility of introducing a checklist which could be quickly filled out for each vehicle stopped and inspected. This form could include type of vehicle, items inspected and results of inspection;

(2) segregation of visual and physical inspections for reporting purposes;

(3) accumulating inspection statistics periodically by inspector for the purpose of highlighting any significant variances among inspectors.

We believed the benefits derived from such a system would:

—provide management with some degree of assurance that inspections were being carried out on a consistent basis;

—provide comparative statistics by inspector on the number of inspections by type and relate these to rates of non-compliance. This type of information could be useful for management's analysis of field staff performance.

We understood that the newly created Compliance Strategy Committee was also concerned with these matters and was planning to address some of the issues commented on by us.

Allocation of Human Resources

Our review disclosed that the Examination, Inspection and Enforcement Activity did not have an adequate system in place to formally monitor and report on the utilization of its regional human resources. This condition had existed for a number of years.

We noted that there were wide variations in workloads between districts for all three sub-activities. For instance, driver examination inspectors in the central region carried a much heavier examination workload than those in the Northern region while truck inspection as a percentage of traffic flow showed significant variations among districts.

Until quite recently, information on human resources utilization was not being accurately accumulated and reported. However, in response to recent financial and manpower constraints management was in the process of implementing a new management reporting system (MRS). This system, when fully implemented in 1984, is expected to provide program management with the necessary data needed to monitor the productivity and allocation of its regional resources.

Concerning the staffing of the highway carrier area, we also believed that the Ministry must more clearly define exactly what level of enforcement is required. At the time of our audit, the Ministry had not determined a level of enforcement for this activity. This, as discussed previously, may create inequities in the level of enforcement in different areas of the Province.

An informed decision as to the level and allocation of resources to each district can be made once the new MRS is providing reliable workload output indicators to compare with the mandated level of enforcement desired.

We commended the Ministry's initiative in developing this new management reporting system and, as with any new process, we anticipated that further improvements and refinements would be made in the coming year. The Compliance Strategy Committee was to develop a new direction for achieving compliance in the most efficient manner. The final report of this Committee was scheduled for completion in July 1984.

On September 14, 1984 the Deputy Minister commented as follows:

Weaknesses in System to Monitor Highway Carrier Inspections

> *"We agree with the finding. As noted in the report, the Compliance Strategy Committee is addressing these issues at this time and the issue of visual inspections versus physical inspections will be resolved as a result."*

4

COMMENTS ON CROWN AGENCY OPERATIONS

4.1 Introductory Comments

The term Crown Agency for purposes of this segment of the Report includes both agencies of the Crown and Crown controlled corporations, as defined in Exhibit 1 of this Report. A listing of agency of the Crown and Crown controlled corporation audits, by category, for the year ended March 31, 1984 is included as Exhibit 7 of this Report.

4.2 Government and Legislative Review of Agencies, Boards and Commissions

Sunset Review Process

In last year's report (section 4.3) reference was made to the sunset review process and to the review activities of the Standing Committee on Procedural Affairs in respect of Provincial Agencies. This section is intended to update the information provided.

The objective of a sunset review is to determine as at a specified date whether an agency should be terminated or continued for a further period of time. A review is undertaken by the responsible ministry in consultation with other ministries, individuals and groups as appropriate.

The policy, procedures and guidelines for sunsetting an agency are outlined in the Ontario Manual of Administration, section 25-7.

Advisory agencies existing as at March 12, 1980 were scheduled for sunset reviews on a staggered basis commencing March 31, 1982. Advisory agencies established after March 12, 1980 have a sunset provision included in the legislation, order in council or regulation establishing the agency. Operational and regulatory agencies established after March 12, 1980 are also subject to a sunset review, unless Cabinet decides otherwise. No formal sunset review dates have been established for 10 of the 34 agencies created after March 12, 1980.

As at March 31, 1984 a total of 100 agencies (93-1983) had been subject to sunset review. As at that date 81 (62-1983) agencies were so reviewed. As a result of these reviews 19 (15-1983) agencies have been terminated and 62 (47-1983) have been continued. When it is decided to continue an agency a subsequent sunset review date is established. With

respect to subsequent reviews, 10 such reviews have been carried out as at March 31, 1984.

At the commencement of the sunset review process a total of 267 agencies had been identified by the Agencies Review Committee (the predecessor to the sunset review process as explained in last year's report). Essentially, these agencies consisted of:

- organizational units with ongoing responsibilities to which some or all of the members were appointed by the government;
- corporations in which the government was a majority shareholder.

Despite the termination of agencies under the sunset review process, as at March 31, 1984 the number of agencies had increased to 275 (277-1983). The following is a summary of the relevant activity.

	Advisory	Operational	Regulatory	Total
Agencies as at March 12/80	78	80	109	267
Agencies subsequently deleted from the sunset review process (see note)	2	—	—	2
	76	80	109	265
Agencies established subsequent to March 12/80	12	11	11	34
	88	91	120	299
Agencies terminated as a result of the sunset review process	18	1	—	19
	70	90	120	280
Other Agencies not subject to the sunset review process but either amalgamated with other existing Agencies or inactive	—	4	1	5
Agencies as at March 31/84	70	86	119	275

Note: —Ontario Hockey Council privatized.
—Crown Timber Boards of Examiners converted to an ad hoc body.

Standing Committee on Procedural Affairs

The Standing Committee on Procedural Affairs, established by the Legislature in June 1977, has also been given the power to review the operations of all Agencies, Boards and Commissions to which the Lieutenant Governor in Council makes some or all appointments, and all Corporations in which the Crown in right of Ontario is a majority shareholder. The reviews are undertaken with a view to reducing redundancy or overlapping.

As at March 31, 1984, this Committee had tabled seven reports in the Legislature detailing the results and recommendations of its review of 44 (39-1983) Agencies, Boards or Commissions. These reviews concentrated mainly on regulatory or operating Agencies, Boards or Commissions. Ministers responsible for the Agencies were requested to respond to recommendations of the Committee and the responses were included in subsequent reports tabled in the Legislature.

This Committee has recommended two Agencies to be terminated. One of these was terminated prior to the establishment of the sunset review process. In the other instance, it was decided to continue the agency as a result of a further review by the sunset review process.

4.3 Inadequate Procedures to Measure Effectiveness of Loans, The Development Corporations

The combined audited financial statements of the three Development Corporations (Ontario, Northern Ontario and Eastern Ontario) for the year ended March 31, 1984 are reproduced in Volume 2 of the 1983-84 Public Accounts. These Corporations were established to encourage and assist in the development and diversification of industry in Ontario. The Corporations provide financial assistance by loans, grants, guarantees or purchase of shares or other securities, and by the provision of sites, equipment, premises, facilities and services.

During the current audit of the three Corporations, we noted that procedures to measure the effectiveness of loan programs were inadequate.

Accumulation and Reporting of Employment Creation Statistics

The Corporations collect information on projected employment to be created by the recipients of loans and guarantees. We reviewed management reports, Managing by Results (MBR) abstracts and the method of compilation and determined that the job statistics appearing in these reports may be misinterpreted. **The following problems were noted:**

(i) jobs related to loans which were rescinded were included in the projections of jobs created, thereby overstating job projections;

(ii) double counting of projected jobs occurred in cases where additional funding had been approved;

(iii) projections have been referred to in reports as actuals;

(iv) reports did not disclose that the projections were based on approved loan limits and not on actual loan disbursements;

(v) there was no segregation of loans and guarantees by program or

objective even though job creation was not the prime objective of each program.

The impact of the aforementioned problems on the projected number of jobs created is as follows:

(i) Inclusion of Jobs Related to Rescinded Loans

For the three Corporations, management reports and the MBR abstracts report employment figures gross rather than net of loans which were rescinded.

We reviewed loan rescissions for years 1981 to 1984 inclusive and found that on average the Corporations' reported number of jobs created over a one and five year period were overstated as indicated in the following table because rescinded loans were also included.

	1983-84 as Reported in Management Report*	Average Rescissions (Based on 3 year period)	Revised Projections as a Result of Audit
Ontario Development Corporation			
Year 1	3,462	1,056	2,406
Year 5	8,549	2,810	5,739
Northern Ontario Development Corporation			
Year 1	1,308	107	1,201
Year 5	2,313	243	2,070
Eastern Ontario Development Corporation			
Year 1	985	325	660
Year 5	2,856	1,357	1,499

* These same figures were used to prepare the MBR submission.

Management of the Corporations was of the opinion that the gross figures were representative since the loan consultant would have aided the prospective borrower to obtain financing elsewhere. This assumes that all rescissions were made because the prospective borrower was successful in obtaining the entire funding from another source. However, our review of reasons for rescission did not provide evidence to substantiate this assumption. Of the 36 rescissions tested only 4 were able to obtain financing elsewhere.

We acknowledged that the activities of loan consultants might contribute significantly to a borrower's ability to obtain financing. However, we felt it was more appropriate to measure separately the activities and contributions of consultants. This could be done by comparing output to predetermined standards or levels of activity and service.

We recommended that rescissions not be included in the determination of total jobs projected and that consulting services be measured separately.

(ii) Double Counting

A borrower who received funding from the Ontario Development Corporation in December 1981, applied for and received additional funding under the same program in September 1982.

The same employment statistics were reported on both occasions. To accurately reflect the borrower's employment forecast and to avoid double counting, the projection should have been included only once. At the time of our audit, there was no reliable system to detect such duplications.

(iii) Projections

Before providing loans or guarantees to prospective borrowers, the Corporations require the applicant to include the effect of their project on employment after project completion, usually at the end of one year and after five years. Once the loan or guarantee is approved, these figures are compiled and disclosed as "actual" additional employment for year 1 and year 5 in management reports and the MBR abstracts. These figures, however, do not represent actual additional employment since they are only projections. It is therefore misleading to refer to them as actuals in any external reports.

(iv) Statistics Reporting

In cases where the Corporations report these statistics externally, the reader should be made aware that they are based on approved loan limits and not on actual disbursements. Most jobs would not be anticipated until final disbursement. For this reason any attempt to compare jobs created and money disbursed would be distorted.

(v) Additional Measures of Effectiveness

The prime objective of each corporate program is not necessarily job creation. In some cases funding is provided to stimulate exports, to upgrade tourist resorts or even to protect existing jobs. Therefore, the current unit of effectiveness measurement should be supplemented with measures that relate directly to program objectives.

We recommended that the Corporations segregate loans and guarantees by program objectives and develop specific measures of effectiveness. Consideration should be given to reporting this information in the MBR abstracts.

Initial Employment Projections Not Confirmed

The Corporations had not systematically gathered, monitored or evaluated actual data on employment creation to determine whether they had achieved their objectives. A recent survey aimed at addressing this problem was not fully satisfactory.

This survey, relating to borrowers with fully disbursed loans, requested written confirmation of the number of employees on the borrowers' payroll at the date nearest to March 31, 1984.

Our review of the survey procedures revealed the following deficiencies:

- The form sent to borrowers did not require differentiation between part time and full time employees. Since the Corporate definition of a job refers to full time employment, the survey would not provide the necessary information to evaluate the program.
- Respondents were not asked to provide information on the actual number of employees prior to receiving financial assistance. Although this information is captured at the time of granting assistance, older information is less reliable.
- Information on financing obtained from other sources was not requested. A more meaningful results indicator would take into account that jobs may have been partially attributable to other sources of financing.

We recommended that the Corporations obtain more specific information on jobs created. Future surveys should be revised to report jobs created using a standard unit such as person years or clearly segregate full time from part time employment. This information could then be used to compare to projections submitted by the borrower and included in the MBR abstracts.

Reporting the Cost-per-Jobs Created

The Corporations had not formally established any indicators to assess the cost-per-jobs created as a basis for comparison to other government programs having similar objectives. A relationship such as dollars spent for jobs created is an important criterion to relate the benefit obtained to the dollars spent.

Key performance indicators relating costs to outputs should be included in the MBR abstracts and compared to other job creation programs.

The Corporations replied as follows on September 19, 1984:

"Employment statistics are extremely difficult to deal with in anything but a very simplistic way. The Corporation uses two basic employment numbers:

- *Forecasts by entrepreneurs, which are used in initial case comparisons.*
- *Actual employment statistics, to evaluate overall program effectiveness.*

"We agree that these statistics should be accurately labelled. However, we do not agree with the suggestions made, as they add unnecessary complications to a very rough and ready tool.

"Finally, we do not agree with program comparisons based on cost per job created. Actual cost is rarely available, as it is a very complicated calculation. Our performance can only be measured in rough incremental surrogates, such as export sales, manufacturing sales, tourism sales, and sector growth and death rate comparisons. We are currently developing these tools, and are actively discussing these topics with ministries, all the other provincial governments, the federal government, and universities both in Canada and the United States. We expect to institute such measurement tools during the 1984/85 fiscal year."

4.4 Questionable Use of Consultant and Non-Compliance Matters, Liquor Control Board of Ontario

The Board, a corporation without share capital, has purposes which include the buying, importing and selling of liquor and the establishment of government stores for the sale of liquor to the public. The Board's audited financial statements for the year ended March 31, 1984 are reproduced in Volume 2 of the 1983-84 Public Accounts.

Our current year's audit report to the Board highlighted the following matters:

- **A firm of consultants was retained, without the benefit of competitive selection procedures or a written agreement, to essentially duplicate work already completed by a government ministry.**
- **A long delay (more than two years) had been experienced in the approval of a revised Memorandum of Understanding.**
- **Non-compliance with policies contained in the Ontario Manual of Administration (OMA) was noted in the following areas:**
  - **Employee relocation benefits were more liberal than those contained in the Manual;**
  - **Board-owned vehicles were sold to Board employees instead of being disposed of by public auction; and**
  - **Employee absences were not being monitored.**

PURCHASE OF CONSULTING SERVICES

On May 24, 1983 Management Board of Cabinet approved a request from the Ministry of Government Services (MGS) to enter into a contract with an insurance company to provide group life and health insurance coverages effective August 1, 1983 for certain groups within the Ontario Public Service, including the employees of the LCBO.

MGS commenced the process of tendering for these coverages in late 1982. The process was coordinated by the Chief Actuary of MGS, with assistance being provided by an outside consultant, acting in an advisory capacity, at a cost of approximately $9,000.

From January to September 1983, the Board, acting independently, retained the services of another firm of actuarial consultants at a cost in excess of $25,000. These consultants essentially reviewed the details supporting the quotations undertaken by MGS and performed an analysis of the costs quoted as specifically applied to the Board. They concurred with the conclusions reached by MGS and its selection of the insurance company.

Our review revealed the following deficiencies:

(i) We were unable to satisfy ourselves as to why the Board had retained its own consultants and thus duplicated work which, in effect, was being handled by MGS overall. Also there was no evidence of competitive selection and no documentation justifying the retention of these consultants.

(ii) There was no written agreement between the Board and the consultants to indicate the objectives and cost of the review.

On discussing the deficiencies, the Board's senior officials responded as follows:

(a) The firm of actuarial consultants retained by the Board was the same firm that had been providing services to the LCBO since 1979. The engagement of a new firm was not, therefore, considered necessary.

(b) The approval from Management Board of Cabinet of May 24, 1983, should not have included the LCBO as it was not until August 24, 1983 that the Board's Joint Insurance Benefits Review Committee recommended a change of carrier for the LCBO.

(c) The actuarial consulting firm was involved in a series of meetings and discussions. The process followed was similar to that of MGS but was necessary to satisfy the terms of the Board's Collective Agreement and in the interests of sound labour relations.

On following up the comments made by the Board's senior officials, we noted no evidence of a formal contract with the firm of actuarial consultants detailing the services to be provided to the Board on an ongoing basis. Additionally, we held discussions with a senior Ontario Government official involved in the tendering process for the government as a whole. **He reiterated our concerns that the LCBO had substantially duplicated efforts and that the retention of independent consultants by the Board was questionable.** The official also advised that the three insurance companies which submitted bids were re-interviewed by the LCBO. This apparently created some confusion amongst the three insurance companies and cast doubt on the credibility of the government's tendering process.

MEMORANDUM OF UNDERSTANDING

Our management controls audit report dated July 22, 1983 mentioned that on January 30, 1980 the then Minister of Consumer and Commercial Relations and the recently retired Chairman of the LCBO signed a Memorandum of Understanding clarifying the administrative relationships between the Minister and the Board. **The agreement was subject to review on the appointment of a new Minister or Chairman.**

We indicated that there had been two changes of Ministers since the date of signing of the original agreement and that in April 1982 the Board had forwarded a copy of the revised agreement to the Ministry for review and the Minister's signature.

During our current review we noted that a reply had still not been received from the Ministry. We understood from the Board that it was in the process of forwarding another revised memorandum to the Ministry for review due to the appointment of a new Chairman on July 15, 1984.

The Memorandum of Understanding of January 30, 1980 states that the Executive Directors' Committee of the Board "shall adopt those sections of the Ontario Manual of Administration (OMA) that complement the business-like operations of the Board." During the course of our current year's audit we noted three instances pertaining to employee relocation, sale of vehicles and staff attendance, where the LCBO did not follow OMA policies.

EMPLOYEE RELOCATION

The Board anticipates that approximately 130 of its Toronto warehouse employees will eventually relocate to the Durham Regional Warehouse in Whitby. Total cost of relocation is estimated at $500,000 with the maximum cost, assuming all employees move and claim all expenses at the highest level, being estimated at $900,000. As at March 31, 1984, 18 employees had relocated at a cost of approximately $91,000.

In order to facilitate the move, a policy referred to as "Enhancements to

Collective Agreement" was drawn up by the Board and approved by the Executive Directors' Committee in December 1982. The policy stipulates certain conditions which have to be met before employees become entitled to claim relocation expenses. One such condition is that an employee must have moved at least 20 kilometers nearer the new warehouse.

The OMA stipulates a distance of 40 kilometers in allowing for relocation/moving expenses. Although the Board was aware of this policy, a decision was made nonetheless to use a distance of 20 kilometers. The decision was based on the rationale that it was only marginally more liberal and had the benefit of being administratively simpler.

In addressing our concerns, senior officials of the Board advised that the policy recommendations under "Enhancements to Collective Agreement" were made to the Executive Directors' Committee after taking into account the practice which had been established by Ontario government Ministries such as the Ministry of Revenue. The enhancements made were not nearly as extensive as those approved by Management Board of Cabinet for the Ministry of Revenue.

In our opinion, as the full impact on ultimate costs was uncertain and as the policy contravened provisions of the OMA, approval from Management Board of Cabinet should have been obtained as was done by the Ministry of Revenue.

SALE OF BOARD-OWNED VEHICLES

During the year ended March 31, 1984, the LCBO sold 16 of its fleet of 24 Board-owned vehicles for approximately $45,000. **Of these, 5 were sold to employees of the Board for $15,000.**

In our review we noted the following deficiencies:

- We found no written policies and procedures for the disposal of Board-owned vehicles.
- There was no documentation to support the selling prices of the vehicles. On enquiry, we were informed by management that they obtained the selling price verbally from a vehicle leasing company.
- **We found no evidence to indicate that all employees of the LCBO were afforded an opportunity to bid for these vehicles.** We were advised that the employee who drove the vehicle was the one who purchased it.

The OMA (section 40-3) contains certain guidelines on the disposal of government-owned vehicles, one of which requires the Ministry of Transportation and Communications to dispose of motor vehicles by public auction. In addition,

other guidelines of the OMA (section 35-8) prohibit the sale of assets to any public servant.

STAFF ATTENDANCE

We noted that the Board neither maintains statistics nor monitors employee absences. In addition, a Board-wide average for absences has not been established.

Our test of the attendance records of store employees and employees of one warehouse, for the year ended March 31, 1984, revealed that absences under the short term sick plan averaged 16.12 and 12.47 days respectively. **These absences were significantly higher than absences in other parts of the Ontario government.**

The OMA (Volume 2, section 6-11) outlines the objectives and means of implementing an Attendance Improvement Program. The purpose of this program is to reduce lost time by ensuring that sick leave usage is restricted to instances where an employee is prevented from carrying out his/her duties because of personal illness or injury. Specific responsibilities outlined include monitoring absences and taking remedial action where required.

The foregoing matters were transmitted to the Board on September 25, 1984. Since the Board has not had an opportunity to reply, we are unable to present its views on the matters raised.

4.5 Inadequate EDP Controls and Other Deficiencies, Motor Vehicle Accident Claims Fund

The Motor Vehicle Accident Claims Fund was established under the Motor Vehicle Accident Claims Act to provide compensation to innocent victims of motor vehicle accidents caused by uninsured or hit and run motorists in Ontario. The audited statement of the Fund for the year ended March 31, 1984 is reproduced on page 3-15 in Volume 1 of the 1983-84 Public Accounts.

During the current year's audit, we noted that:

- **EDP procedures and controls were deficient.**
- **Monitoring of collection agencies' performance was inadequate.**

Some of these matters had also been noted by the Ministry's (Consumer and Commercial Relations) internal auditors in their reports of May 12 and October 16, 1981.

EDP PROCEDURES AND CONTROLS

The Fund uses a computerized accounting system for setting up and maintaining data related to claims and accounts receivable. In this connection, the necessary processing services have been rendered by a commercial service bureau since July 1982 in accordance with a series of six month renewable contracts.

It was management's intention to use the time afforded by the most recent contract to develop alternative arrangements to replace the present system. These were in the process of being completed along with a request for the necessary funding.

The Ministry (Consumer and Commercial Relations) is aware of the shortcomings in the present system which include:

—poor documentation both from a systems and user viewpoint;

—the programs written in an outdated computer programming language necessitating the services of an independent contract consultant to maintain them; and

—known errors in the system which are too difficult or costly to correct.

COLLECTION AGENCIES

In an attempt to maximize collections and at the same time reduce costs in utilizing its own staff, the Fund, since 1980, has been relying on the services provided by outside collection agencies to collect accounts. As at March 31, 1984, three collection agencies were being used to collect approximately 30 per cent of the Fund's total accounts receivable of $126.7 million.

Lack of Control over Accounts

Accounts are normally reviewed by Fund staff and where appropriate turned over to one of the outside agencies for collection. **As a result of deficiencies in the EDP system and program to record codes for collection agency accounts, management was unable to accurately determine how many of its accounts were in the hands of collection agencies.**

We understood that Fund staff had only recently completed its attempt to construct a manual list indicating which accounts were being handled by various collection agencies.

Monitoring Agency Performance

Other than recording collections for each agency, little monitoring had been carried out by the Fund on the performance of each agency.

During the 1984 fiscal year agencies reported collections totalling approximately $900,000 which represented only 2.4 per cent of the total

dollar value of accounts assigned to the agencies. We recognized that while the percentage figure was low, it might not be significant by itself, unless compared with the collection experience of other agencies or industry norms.

We recommended closer monitoring of each agency's performance in collecting accounts to ensure collections were being maximized.

Unearned Commissions

Remittance advices, submitted by agencies, showed payments made by debtors directly to the Fund and directly to the collection agency and the agency's commission thereon. However, amounts reported on the remittance advices were evidently not checked to ensure that the money was in fact received by the Fund or that the commission as calculated was accurate.

To illustrate, our review revealed four instances where a collection agency's remittance advices indicated that the Fund had collected directly a total of $85,000 as a result of collection efforts by the agency. In fact, no such payments had been received by the Fund. The agency, however, had credited itself with over $21,000 in unearned commissions on these payments. As a result of our audit, we understood that the agency was returning these unearned commissions to the Fund.

We recommended that controls be strengthened to ensure transactions relating to accounts in the hands of agencies are properly verified and accounted for in the Fund's books.

The Deputy Minister of Consumer and Commercial Relations responded as follows on September 25, 1984:

Collection Agencies

> *"During the audit, a list of accounts assigned to the Collection Agencies had to be prepared manually because the computer system was unable to generate such a report. We have subsequently made modifications to the computer programs, and this report can now be generated automatically. As a result, we expect more timely information and improved controls over accounts assigned to Collection Agencies.*
>
> *"Notwithstanding the foregoing, we are planning to eliminate the direct usage of outside Collection Agencies altogether. We have already reduced the number of Collection Agencies utilized in assisting us with our collection efforts. It is our intention, at the expiry of the*

current contracts with these agencies, namely June 30, 1985, to refer all delinquent accounts to the Central Collection Agency, Ministry of Government Services.

"Collection Agency monthly remittances are now being checked to ensure that commissions are correct, and monies have, in fact, been received by the Branch. In addition, the services of the specific agency mentioned in the report have been discontinued for new accounts collection."

4.6 Questionable Use of Caucus Research Support Funding, Office of the Assembly

The financial statements of the Office of the Assembly for the year ended March 31, 1984 reflect expenditure of $34,560,052 and revenue of $124,986. With the exception of statutory payments, expenditures are made out of moneys appropriated by the Legislature, while revenue is deposited into the Consolidated Revenue Fund.

During the current year's audit we questioned whether $105,711 related to Caucus Research Support Funding was expended for the purposes for which it was appropriated.

The Board of Internal Economy approved expenditure estimates of $3,886,800 for Caucus Support Services for the 1984 fiscal year. This represented a 9.7 per cent increase over actual expenditures in the amount of $3,542,176 for the previous year.

On December 16, 1983, the Board approved additional caucus expenditures under a new category designated "Research Support Funding". The new designation was based on an amount of $5,250 per Member for the 1984 fiscal year, effective October 1, 1983, predicated on the following Caucus representation: Government Caucus 41; Liberal Caucus 33; N.D.P. Caucus 22.

Based on this formula, the following additional amounts (prorated for one half a year) were made available to and spent by the three caucuses for the 1984 fiscal year:

	Available $	Actual Expenditures $
Government Caucus	107,625	90,963
Liberal Caucus	86,625	92,901
NDP Caucus	57,750	58,871
	252,000	242,735

Our review of the expenditures charged to the Research Support Funding accounts revealed the following items which did not, in our opinion, relate directly to research support activities.

Caucus	Amount $	Nature of Expenditure
Government	89,451	Purchase of media studio equipment including video cameras, recorders, players and accessories.
Liberal	5,444	Catering services for a 700 person reception held in March 1984 at the Legislative Assembly dining room.
	1,323	Photographic services for above reception and legislative ceremonies.
	600	Honorariums paid to artists.
NDP	8,893	Lump sum payment in March 1984 to 49 existing full-time and temporary employees. Individuals received $200 or less.
	105,711	

We recommended that the types of expenditures allowed under this category of expenditure be clarified and formally documented.

The Speaker of the Assembly subsequently replied as follows:

"At meeting #13/83, the Board of Internal Economy passed a motion creating a new category of caucus allocation, effective October 1, 1983. The category was named 'Research Support Funding' and a per-Member figure was established for the remainder of the 1983-84 fiscal year. The Board did not attach any specific conditions on the expenditure of these funds by individual caucuses.

"You recommend that the types of expenditures allowed under this category be clarified and formally documented.

"I will undertake to raise your recommendation with the Board of Internal Economy at the earliest possible opportunity to see if the Board wishes to amend the present procedures in order to implement your recommendation."

4.7 Review of Compliance with Ontario Manual of Administration, Office of the Ombudsman

The financial statements of the Office of the Ombudsman for the year ended March 31, 1984 reflect total expenditure of $5.2 million. Expenditure of the Office is paid out of moneys appropriated by the Legislature.

The December 1983 Report of the Standing Public Accounts Committee recommended that ". . . the Provincial Auditor review the Office's policies and procedures for compliance with the Manual . . ." **Accordingly, such a review was completed and we identified certain instances of non-compliance which warranted attention, the most significant of which related to accommodation and personnel management. However, management expressed the desire to comply with the Manual in all significant respects, and had already begun to take corrective action.**

OFFICE MANUAL

The Office Procedures Manual is narrower in scope than the Ontario Manual of Administration and does not indicate that where it is silent, the OMA is to be followed. A number of areas and instances of non-compliance were observed as follows:

1) Office space exceeded space standard guidelines (see Accommodation).

2) Employees were not charged for parking spaces.

3) The Office had not established grievance procedures to deal with employee complaints. This issue has been raised before by the Select Committee on the Ombudsman. However, we were advised that a staff grievance committee had recently been established to make recommendations.

4) There were no established salary ranges or classifications for positions. For example, there was a range of $17,000 for 36 investigator positions from $23,000 to $40,191. Within each investigative branch, the job description was the same for all the investigators. We were advised that a "Salary Administration Committee" had been established to set ranges and classifications.

However, we were pleased to note that the areas of non-compliance identified in our previous year's report on the audit had been rectified and procedures in those areas had been brought into compliance with the Ontario Manual of Administration guidelines. Items previously reported included:

—compensating leave being granted for overtime, in addition to Management Compensation Option credits;

—no documentation regarding approvals of discretionary leave.

RELATED MATTERS

Accommodation

The 1983 Report of the Standing Public Accounts Committee

referred to a statement by the Office of the Ombudsman indicating that the current Toronto premises represented the Office of the Ombudsman's commitment to economy.

Our analysis indicated that because of the layout of the building and the amount of space which had to be taken in order to enter into the lease, the Office paid rent on a large amount of common area space and allocated more space for employee offices than provided for in the Ontario Manual of Administration guidelines. The office space rented was at least 2 times the area prescribed by the guidelines. In addition, $325,900 was expended on leasehold improvements, excluding furnishings, being $75,900 higher than the estimate provided when alternatives were considered.

Although the price per square foot ($9.70) was lower than most available alternatives at the time, the excess space resulted in a difference of at least $100,000 per year in additional costs to take the Lillian Massey Building than if they had located in the most expensive alternative under consideration ($17.50) and had used the space standards guidelines. More reasonable alternatives were also available which would have resulted in savings much greater than $100,000.

We recommended that management continue to examine opportunities for sharing space as well as any other viable alternatives for reducing occupancy costs.

Recruitment Procedures

The recruitment and application screening procedures of the Office of the Ombudsman were largely informal and not documented.

There had been no documented approval to initiate competitions from either the Executive Director or the Ombudsman, as required by the Ontario Manual of Administration. Although a Policy and Procedures Manual for recruitment existed, our review indicated that many of the procedures were not being followed such as:

- Competition panels generally did not include the personnel officer.
- No minutes were taken during the interview process.
- Employees were often recruited without any advertising for a position competition.
- Selection criteria for screening applicants were not documented in most cases.

The Executive Director of the Office of the Ombudsman subsequently replied as follows:

Office Manual

"The Administrative Procedures Manual will be reviewed and, when it is silent on a specific point, it will include a general statement to indicate that, where appropriate, the Ontario Manual of Administration is to be followed.

"In connection with the instances of non-compliance, we wish to make the following comments:

1) As indicated subsequently under the heading, (Accommodation), we are continuing to explore opportunities to sublet spaces in the Lillian Massey with a view to reducing our rental costs. We wish to point out however that strict compliance with space standards guidelines would entail substantial additional expenditures on renovations in a building which physically does not easily lend itself to alterations. Conversely, if we were to break the present lease which still has more than 6 years to run, we would also incur substantial expenditures in moving and leasehold improvement costs.

2) Employees are being charged for parking spaces.

3) A draft grievance procedure has been prepared and will be issued as soon as a system of salary administration has been established.

4) The Office has retained the services of a classifications officer who has the skills, objectivity and experience necessary to recommend to the Ombudsman the classifications of all the positions in the Office on a basis comparable to that used in the Public Service.

"You should be aware that the Salary Administration Committee was not established to set ranges and classifications but rather to make recommendations to the Ombudsman on salary related matters."

Accommodation

"In connection with your observations on our office premises in Toronto, we wish to assure you that we are continuing to look for opportunities to sublet space in the Lillian Massey Building in order to reduce our rental costs."

Recruitment Procedures

> *"We are reviewing our recruitment and application procedures. We intend to formulate written procedures which will ensure, among other things, that there are documented approvals from the Ombudsman or the Executive Director for the initiation of competitions, that competition panels include the personnel officer, that a written record of interviews is kept, that employees who are hired meet the criteria contained in the job advertisement and that objective selection criteria are used."*

4.8 Observations re Investments, The Ontario Cancer Treatment and Research Foundation

The objective of the Foundation, a corporation without share capital, is to establish and conduct a program of research, diagnosis and treatment in cancer, including the recording and compilation of case data, the education of the public and the provision of training facilities.

As at March 31, 1984 the Foundation's assets totalled $44.3 million, with corresponding liabilities of $3.6 million and fund equities of $40.7 million. Revenue of the Foundation's Capital and Endowment Fund for the year (including grants of $38.0 million from the Province) was $42.6 million, and expenditure totalled $38.6 million.

The book value of the investment portfolio of the Foundation had increased from approximately $14.7 million as at March 31, 1980 to approximately $27.5 million as at March 31, 1984. The value of investments at the close of the previous five fiscal years was:

Year End	($ million)
1980	14.7
1981	17.1
1982	16.5
1983	24.0
1984	27.5

The Foundation endeavours to fulfill its objective through its seven treatment clinics and research programs. **However, the large increase in investments over the past five years to $27.5 million indicates that the funds of the Foundation have not been fully utilized to achieve its objective.** We were informed by management that during the next five years these funds will be used for research and the construction or expansion of new and existing clinics.

Effective January 1, 1984, the Foundation appointed a trust company to manage its investment portfolio at an annual fee of $20,000 plus commissions. We

drew the attention of the Foundation to the fact that one of the key functions of the Office of the Treasury of Ontario is to provide investment counsel to government agencies regarding investment portfolios.

We recommended that the Foundation consider approaching the Office of the Treasury to ascertain whether it would be more economical to have its investment portfolio managed by that Office than by a private investment company.

Although the preceding matter had been reviewed with officials of the Foundation, no formal report had been issued as at September 28, 1984. Therefore, we are not able to present the Foundation's views on the subject matter.

4.9 Appointment of Distributors and Questionable Use of Public Funds, Ontario Lottery Corporation

The Corporation was established to develop, undertake, organize, conduct and manage lottery schemes. The Corporation's audited financial statements for the year ended March 31, 1984 are reproduced in Volume 2 of the 1983-84 Public Accounts.

Resulting from our current year's audit, the following matters were reported to the Corporation:

- **We questioned whether qualified applicants for distributorships were aware of openings, since there were very few current applications on file and the Corporation had not advertised for applicants since 1978.**
- **Contrary to normal practice in the Ontario public sector, the Corporation paid approximately $10,000 for a staff reception and dinner.**

DISTRIBUTORSHIPS

Overview

The Corporation employs 47 distributors across the Province, who as independent businessmen and women, supply lottery tickets to 16,000 retail outlets in Ontario. Distributors receive commissions on the tickets sold, handling fees for reimbursing winning tickets redeemed by retailers, and a service fee for terminals in their territory. Distributors purchase all Wintario, Provincial and Super Loto tickets from a Royal Bank branch and return all unsold tickets to the same branch for credit.

The service involved for ticket handling fees includes reimbursing the retailer for a valid winning ticket, confirming that the ticket is a winner by checking to published lists and taking the winning ticket to the bank for

reimbursement. Distributors receive fees for servicing the terminals for on line games (Lottario and Lotto 6/49) installed in retail outlets. In return for this service fee the distributor is required to ensure that retailers have sufficient supplies of ticket slips, ribbons for machines and point of sale promotional items.

The Corporation's expenses for distributors' commissions and fees for the 1984 fiscal year totalled approximately $8.5 million.

Procedures for Appointment of Distributors

The Corporation's procedure in appointing a distributor is as follows:

- Any resident of Ontario who wishes to become a distributor can submit an application to the Corporation.
- **The Vice President, Sales and Distribution, and his staff review all applications paying particular attention to those received in the past two years for a particular territory.**
- Applications with the proper qualifications and meeting certain criteria (e.g. financial background, ability to deal with people) are selected for a second level review by the President.
- Approximately 5 to 10 applicants are interviewed by a Board Subcommittee which results in one applicant being recommended to the Board of Directors for approval.

This thorough scrutiny of potential distributors is necessary as the distributors have a responsible and financially rewarding position. For instance, in the 1983 fiscal year, the average net commission income, excluding any salaries paid to family members, was $48,000 with several distributors having net commission income in excess of $80,000. The net commission income represents gross commissions less payments by the distributor for all overhead selling costs, including salaries for sales and office staff, rent, interest, insurance and other business costs.

Review of Applications

We selected the three most recent distributors appointed as of March 31, 1984 and noted that in one territory there were no current applications on file. In this case an employee of the previous distributor completed an application shortly before being approved. We were advised that this appointee was highly qualified having been, in effect, the acting distributor for a number of years.

However, as there were no current applications on file for this territory, we selected five other territories at random and noted that of the 172 applications on file, only one had been received in the last two years.

In light of the foregoing, we questioned whether qualified applicants were aware of distributorship openings, particularly in view of the fact that the Corporation had not advertised for interested applicants since 1978.

Accordingly, we suggested that the Corporation consider placing an advertisement in local newspapers when there is an open distributorship.

STAFF RECEPTION AND DINNER

During the month of January 1984, the Corporation faced an unprecedented expansion in the volume of business initiated by the $13.9 million Loto 6/49 jackpot, which was won on January 14, 1984. According to management, "The staff of the Corporation responded in such a way that, not only was the volume of business accommodated, but all of the other difficult areas such as public relations, were handled in a way which brought nothing but credit to the Government of Ontario."

The President and Board of Directors, in consultation with the Minister, felt that "not to acknowledge the efforts of the staff would be a grievous error." **Accordingly, on January 31, 1984, the Corporation held a reception and dinner for all staff members where the Minister, Chairman of the Board and the President expressed their appreciation to the staff for their efforts. The cost of the dinner was approximately $10,000 or $50 per person.**

The Corporation's Memorandum of Understanding states that the Corporation shall follow the intent of the Manual of Administration. With respect to the requirements for hospitality, the intent of the Manual is that the extension of hospitality for employees is only permissible as a matter of courtesy or if the expenditure facilitates government business. **It was our opinion that events of this nature are not envisaged as allowable hospitality under this section of the Manual.**

We did not dispute the fact that from time to time events or circumstances necessitate increased work loads at Ministries and Agencies of the Crown nor that rewarding employees in this fashion is common practice in the private sector. **However, rewarding employees in this fashion due to increased work loads is not an accepted practice at other Ministries and Agencies.**

On September 27, 1984, the Chairman of the Board replied as follows:

Distributorships

> *"During the nine and a half years that the Corporation has been operating, the Board has always felt that its present practices in the area of the selection of distributors has served the Corporation well.*

"We have, as a result of our screening process, made good appointments, and we really do not think that the quality of candidates would necessarily increase because of newspaper advertisements. The very fact that we have on file 172 applications for five territories should be an indication that we do not need to look for candidates.

"The frequency with which it is necessary to appoint new distributors is not great and the Board, being prudent business people would run advertisements for distributors should there ever be a lack of suitable applicants."

Staff Reception and Dinner

"The reception and dinner which was held on January 31, 1984, was an attempt on behalf of the Board of Directors to thank the staff for their outstanding effort. Very little overtime was paid out to the staff and there did not seem to be any other way to acknowledge this tremendous effort. In view of the fact that the increase *in profits on the 6/49 game, as a result of this effort, amounted to $14 million, the cost of $10,000 to acknowledge the efforts of 200 people seemed a reasonable expense.*

"In arriving at this decision, the Board was conscious of the terms and conditions of the Memorandum of Understanding which states:

> *'Although the Corporation has been designated as a Schedule II agency by Management Board, and therefore is exempted from most of the requirements of the Manual of Administration, the Corporation shall follow, where applicable, the intent of the guidelines in the Ontario Manual of Administration while exercising entrepreneurial skills and maintaining a degree of operational flexibility.'*

"We felt that this was the type of operational flexibility that was envisaged by the Memorandum. The Board of Directors is charged with the responsibility of managing the Corporation under the wording of the Act which created the Ontario Lottery Corporation and, therefore, felt that such recognition was good management, in that it acknowledged gratitude for a job well done, and ensured that should the occasion arise again in the future the staff will respond once

again. It has always been the intention of the Board of Directors to operate the Corporation as a commercial operation with a view to maximizing the corporate profits."

4.10 Insufficient Freight Rates Charged to Major Customer, Ontario Northland Transportation Commission

The Ontario Northland Transportation Commission together with its wholly-owned subsidiaries, Star Transfer Limited and The Owen Sound Transportation Company, Limited, provide a variety of transportation and communications services in northern Ontario. The Commission's consolidated audited financial statements for the year ended December 31, 1983 are reproduced in Volume 2 of the 1983-84 Public Accounts.

A portion of our December 31, 1983 audit dealt with the economy of the Commission's railway freight operations. **In this regard, we noted that the Commission lost over $300,000 in 1982 because rates charged to a major commercial customer were insufficient to recover variable costs. Further losses were expected unless negotiations achieved a more compensatory rate.**

Setting of Freight Rates

The rates charged to various customers using the Commission's rail services are normally based on two parameters; market conditions and the cost of operations. The actual rates are set through negotiations between the carrier and the shipper and their subsequent approval by the Canadian Transportation Commission (CTC). In accordance with prudent business practice the rates should be set high enough to allow a reasonable profit margin, but should in no case be lower than the amount required to recover the variable costs of running the trains.

However, the Railway Act offers specific protection to captive shippers who have no alternative but to use the railroad. Where it is deemed that the carrier has taken advantage of a monopoly situation the CTC will prescribe the rate. The CTC considers reasonable rates as those which range between variable cost and 2½ times this amount.

The CTC's definition of variable costs includes such costs as interest expense and depreciation and other specified long run costs.

Insufficient Rates to Major Commercial Customer

In January 1976 the Commission purchased 40 special cars for transporting tree-length logs from Fraserdale to Cochrane for one of their customers who is considered to be captive. Later in 1977, 15 additional

cars were added to the fleet. In 1975 Management Board of Cabinet had directed the rates to be charged to this particular customer from 1975 to 1980. These rates were set low on the basis that they would contribute to support a new industry in the "North". However, Management Board of Cabinet had also directed that, from 1981 onward, full compensatory rates should be charged unless directed otherwise by the Minister. Notwithstanding the Management Board direction, full compensatory rates had not been charged. The rates charged by the Commission in 1981 and 1982 were $2.20 and $2.70 per net ton respectively. Our calculation of the variable costs per net ton for 1982 using the Commission's methodology of allocating costs indicated that the rate should have been $3.87 just to break even. **The short fall in revenue for the year amounted to over $300,000. In 1983 further losses were expected as the rate of $3.30 per net ton has not kept pace with rising costs.**

Rates for 1984 and 1985 have been negotiated and set at $4 and $5 per net ton respectively. Given the 1982 cost recovery rate of $3.87 it is quite probable that in 1984 as well as in 1985 the Commission will not be able to recover its variable costs.

We recommended that, in the absence of any formal direction to the contrary, rates should be charged in accordance with the Management Board directive.

The preceding comments were included in our report of May 24, 1984 to the Commission. No reply had been received as at September 28, 1984, the printing deadline for this Report. Therefore, we are unable to present the Commission's views on this matter.

4.11 Improvements Needed re Operational Efficiency of Medical Aid Branch, Workers' Compensation Board

The audited financial statements of the Board for the year ended December 31, 1983 are contained in Volume 2 of the 1983-84 Public Accounts. The Board's audit is performed under our direction by a public accounting firm.

A portion of their 1983 audit dealt with an assessment of the Medical Aid Branch's effectiveness and efficiency of operations, and the adequacy of the Branch's management controls. The main function of the Branch is the adjudication and processing of injured workers' compensation claims. The Branch had a 1983 operating budget of $4 million, and processed approximately 1.9 million claims, resulting in payments of $112.9 million for 1983.

The conclusion reached was that, while the Branch provided an excellent service, its effectiveness could be further enhanced through raising the level of

operational efficiency in several areas, including long and short term planning and the production and use of reports.

- **There was no formal long-range planning carried out in the Branch.**
- **Yearly operational planning was not systematically performed, lacking sufficient clarity, cohesiveness and specific quantified goals.**
- **Approximately half of the more than 80 computer reports produced for the Branch were immediately filed without review, and others were in need of review for possible simplification, elimination or consolidation of data.**
- **Statistical data and reports were inadequate for purposes of effective forward planning and controlling the operation.**

DETAILED FINDINGS AND RECOMMENDATIONS

Long-Range Planning

Formal long-range planning was not carried out in the Medical Aid Branch. Consequently, planned improvements to its operations were not taking place. Day-to-day processing problems took precedence over planned improvements to the system. **Although the need for long-range planning has been recognized by management, a cohesive, well laid-out plan for an improvement of the operation did not exist.** For example, while an annual plan for computer system development and an upgrading training program existed, few of the computer enhancements were on schedule and therefore the system was not evolving. Furthermore, the training program was unable to provide sufficient numbers of upgraded staff to fill vacancies during the last period of staff turnover. In summation, planning was dealt with in a reactive instead of a pro-active mode by management.

It was recommended that Branch management establish formal long-range plans, including specific criteria and quantifiable goals for measuring progress towards its objective.

Operational Planning

Good management usually requires that long range plans be broken into annual goals to support step-by-step progress. This annual plan is used to promote smooth, efficient processing as well as a mechanism with which to measure actual and planned progress. Such items as staffing problems, overtime, workload trends, system upgrades etc. are projected to ensure day-to-day operations run as smoothly as possible. Forecasting involves the use of trend, progression, and variance analysis. Problem areas are then highlighted and corrected.

None of the above was in place which results in, among other things, excessive overtime and inefficient utilization of staff. Furthermore, the causes of these problems were undefined and consequently could not be corrected or eliminated.

For example, in the preliminary phase of the audit, management attributed overtime to accessibility of claim files coupled with staffing shortages. Later, it was discovered that the accessibility of claim files had negligible impact on overtime. Overtime trends and staffing trends were then reviewed and plotted, with the results indicating that staff was at full strength when the majority of overtime took place.

Operational planning, trend analysis and monitoring of historical data would facilitate workload planning, staff planning and efficient resource management. It was therefore recommended that Branch management establish operational plans with specific short-term goals and that these goals be monitored to chart the progress of the Branch.

Computer Reports

There were over 80 computer reports produced for the Medical Aid Branch. Not all of the reports were necessary. **Examination disclosed that there were at least 40 reports produced and received in the Branch that were immediately filed without any review and/or analysis.** While the information should be retained in the computer, the production of the hard copy reports should be discontinued. **Furthermore, a review of the information contained in the computer reports should be performed to determine possible opportunities for elimination, simplification, or consolidation of data.** Such a project is planned by the Branch for 1984.

Statistical Reports

Medical Aid Branch staff keep daily, weekly, and monthly processing statistics. All items received (including telephone enquiries) are logged. These statistics are used for two purposes; to monitor workload and to assess the individual's activity in relation to performance standards.

The statistics kept were not necessarily useful, nor did they give an accurate picture of workload. The statistics kept were not weighted to accurately reflect time spent per item and to measure complexity. The Medical Aid Branch should consider keeping statistics for a sample number of days per month. Daily detailed statistics were rolled up into monthly totals per section, and therefore, the need for such detailed statistical gathering was questionnable.

Current statistics were not adequate for trend analysis on work flow. For example, items referred to others were listed, but no specifics

were given on the reasons an item had to be referred or to whom it was referred. As both employees were logging the item, there was double counting, resulting in inaccurate volume statistics. Moreover, no details were kept on turnaround times and/or reasons for the delays incurred. Additionally, while many current statistics were too detailed (all pieces of correspondence and telephone enquiries were logged), others were not detailed enough, as specific items were not being monitored sufficiently.

The Director and Manager receive monthly statistical reports. **The nature of the reports is a display of historical events and was used as such, rather than as a management planning tool.** The reports should provide planning information such as trend analysis, exception reporting, time/cost variances, etc., information which should be used to manage and plan for the most efficient use of the Branch's resources.

The Board replied to the foregoing as follows:

Long-Range Planning

> *"While some long-range planning does exist in specific areas of the Medical Aid Branch, it is recognized that more formal long-range plans are required. Work has commenced on this."*

Operational Planning

> *"This recommendation ties in with (the one related to long-range planning) and is being worked on by the Medical Aid Branch at the same time."*

Computer Reports

> *"A complete review of all computer produced reports is being undertaken."*

Statistical Reports

> *"All statistics and monthly reports are being reviewed. Some have already been changed."*

4.12 Subsidiaries of Crown Agencies

Section 4.2 of our 1983 Report dealt with the accountability of Crown agencies. One of the accountability issues raised was the fact that many subsidiaries had been established without the specific approval of the Legislature. In this regard, specific reference was made to the subsidiaries of the IDEA Corporation, Ontario Energy Corporation and Urban Transportation Development Corporation Ltd. For informational purposes,

the following paragraphs summarize the subsidiaries of these corporations as at March 31, 1984.

IDEA CORPORATION

This corporation has seven wholly-owned subsidiaries, as follows:

- IDEA Biological and Medical Technology Fund Inc.
- IDEA Chemical and Process Technology Fund Inc.
- IDEA Information Technology Fund Inc.
- IDEA Innovation Fund Inc.
- IDEA Machine and Automation Technology Fund Inc.
- IDEA Microelectronics Fund Inc.
- IDEA Research Investment Fund Inc.

These subsidiaries were all incorporated pursuant to the provisions of the Business Corporations Act.

ONTARIO ENERGY CORPORATION

The following three companies, established under the Business Corporations Act, are wholly-owned subsidiaries of the Ontario Energy Corporation:

- Ontario Energy Resources Ltd.
- Onexco Minerals Ltd.
- Ontario Energy Ventures Limited

Additionally, the corporation owns 90% of the shares of Onexco Oil & Gas Ltd., with Ontario Energy Resources Ltd. holding the remaining 10%. In turn, Onexco Oil & Gas Ltd. has a two-thirds interest in Trillium Exploration Corporation.

Onexco Oil & Gas Ltd. was incorporated under the Business Corporations Act, and Trillium Exploration Corporation was incorporated under the Canada Business Corporations Act.

URBAN TRANSPORTATION DEVELOPMENT CORPORATION LTD. (UTDC)

The following companies are wholly-owned subsidiaries of UTDC:

- Metro Canada Limited
- UTDC Services Inc.
- UTDC (USA) Inc.

- TIA Airport Rapid Transit Corporation (inactive)
- Toronto Transit Consultants Limited (inactive)

The corporation also has controlling interests in the following additional subsidiaries:

- UTDC Research & Development Ltd. — 87% of the shares are owned by UTDC, and the remaining 13% by Metro Canada Limited.
- RailTrans Industries of Canada Limited — UTDC has an 80% interest in this company, which in turn owns all the shares of Can-Car Rail Inc. and VentureTrans Manufacturing Inc.

With the exception of UTDC (USA) Inc., incorporated in the State of Delaware, all the preceding subsidiaries were incorporated under the provisions of the Canada Business Corporations Act.

Finally, the corporation owns 50% of the shares of Metro Canada International Limited, representing a joint venture with another company which holds the remaining 50% interest.

5

PUBLIC ACCOUNTS OF THE PROVINCE

5.1 Preparation of the Public Accounts

The Public Accounts, which are published in three volumes, are prepared by the Ministry of Treasury and Economics under the direction of the Treasurer of Ontario as stipulated in section 13 of the Ministry of Treasury and Economics Act. This section reads as follows:

> "The Public Accounts for each fiscal year shall be prepared under the direction of the Treasurer and shall be delivered to the Lieutenant Governor in Council and laid before the Assembly not later than the tenth day of the first session held in the following calendar year."

The audit of the Public Accounts consists of an examination of the financial statements of the Province appearing in Volume 1, on which the Provincial Auditor expresses an opinion, together with a review of the other statements and schedules contained in Volume 1.

Volume 2 contains reproductions of audited financial statements of agencies of the Crown and Crown controlled corporations:

(a) in which the Province has an investment, or

(b) which have borrowed from the Province, or

(c) which have borrowed from others with a guarantee by the Province.

Also included in Volume 2 are the audited financial statements of certain significant operational agencies which are funded in whole or in part by revenues generated from their operations.

Volume 3 contains details of expenditures for each ministry, such as salaries and wages, employee benefits, travelling expenses and other payments. This expenditure is shown under two main categories, Voted Appropriations and Statutory Appropriations. Although the information contained in Volume 3 is not audited in detail by this Office, it is subject to testing to verify the accuracy thereof.

5.2 Financial Statements of the Province

GENERAL

The audited financial statements of the Province for the year ended March 31, 1984, upon which the Provincial Auditor has expressed an unqualified opinion, are reproduced as Exhibit 2 of this Report. The financial statements and notes disclose in summary form the financial activities of the Province for the fiscal year, and report on the significant aspects of financial position at the close of the fiscal year.

The transactions of the Province are presented through the Statement of Consolidated Revenue Fund Transactions in summary form under the following three categories of government activity:

- Budgetary transactions, representing the Province's operational activities involving the raising of revenue from various sources on the one hand, and the expenditure for various government programs on the other;
- Non-budgetary transactions, representing the lending, investment and trust administration activities; and
- Financing transactions, representing borrowing and repayment activities. These are classified as either "debt transactions" (amounts borrowed by the Province for its own needs) or "Ontario Hydro transactions" (amounts borrowed by the Province on behalf of Ontario Hydro).

Regarding the preceding Ontario Hydro transactions, the Province issues debentures and advances the proceeds to Ontario Hydro in exchange for bonds with the same terms and conditions. In any year, the overall end result of these reciprocal transactions is that payments are equal to recoveries. Since these transactions (including the ensuing retirement and debt servicing costs) are the result of a financing alternative and are not part of the Province's own budget plan, they are classified separately.

The Statement of Financial Position reflects the financial claims which have been created by cash transactions. The assets are claims by the Consolidated Revenue Fund on other parties. The liabilities are claims by others on the Consolidated Revenue Fund. Since expenditures on fixed assets do not represent claims on other parties and are not considered to differ from any other service to the public, they are not reported as assets but are expensed as budgetary transactions in the year of acquisition.

CHANGES IN FORMAT

For purposes of increased clarity, certain revisions were made in the format of the Province's financial statements for the year ended March

31, 1984. These changes, with which we agree, are summarized as follows:

- The Statement of Consolidated Revenue Fund Transactions has been abbreviated and made more readable by summarizing the results of all non-budgetary and financing transactions on a net basis, thus eliminating the need for several sub-totals. Additionally, the previously disclosed opening and closing balances of cash and temporary investments have been replaced by one amount representing either the increase or decrease in cash and temporary investments for the year. As a result, the two major components of this statement, being the Province's net cash requirements for the year and how those requirements were financed, are now set out more clearly than was previously the case.
- Use of the often confusing terms receipts, credits, disbursements and charges has been eliminated from the Statement of Non-Budgetary Transactions and the Statement of Consolidated Revenue Fund Transactions.
- Pension and related adjustment funds as shown on the Statement of Financial Position, now include the balance of the Superannuation Adjustment Fund. Previously, the balance of this Fund was included as part of Trust and special purpose accounts (previously termed as Deposit, trust and reserve accounts).
- Transactions through each of the three pension and related adjustment funds (i.e. Public Service Superannuation Fund, Superannuation Adjustment Fund and Legislative Assembly Retirement Allowances Account) are now set out separately on the Statement of Non-Budgetary Transactions.

5.3 Summary of Significant Accounting Policies

On the basis of evidence examined, the Provincial Auditor is required to express an opinion as to the fairness of the Province's financial statements in accordance with the accounting policies stated in the Public Accounts, and as to their consistency.

Accordingly, an integral part of the Province's financial statements is the Summary of Significant Accounting Policies. This Summary appears on page 1-2 of Volume 1 of the 1983-84 Public Accounts, which forms part of Exhibit 2 of this Report.

Such Summary is included as an integral part of the financial statements in order to provide the reader with a clear understanding of the

principles and methods used to present the financial information contained in the statements. Due to the nature of government accounting, the accounting policies stated in the Summary have particular importance to a reader who may not be familiar with the differences, some of which are significant, between the accounting policies followed by the private sector and those followed by the Province of Ontario.

5.4 Advances and Loans Repayable from Annual Expenditure Appropriations

Page 2-28 of Volume 1 of the 1983-84 Public Accounts summarizes the balances of advances or investments by the Province in corporations, boards and commissions other than Ontario Hydro. Additionally, page 2-31 summarizes the balances of other loans and investments by the Province including loans to public hospitals.

The balances recorded in the Public Accounts do not necessarily represent the amounts the Province expects to truly realize. As stated in the Summary of Significant Accounting Policies, the funds required to repay certain of the advances and loans are being provided out of future years' Provincial expenditure appropriations. Examples of loans and advances in this category are as follows:

—Virtually all of the advances of $1,047,881,388 to The Ontario Universities Capital Aid Corporation are repayable out of future years' Provincial expenditure appropriations. Under a program discontinued in 1978, the Corporation used funds advanced by the Province to purchase debentures issued by colleges, universities and related institutions for capital construction purposes. The debenture debt of the issuing institutions is repaid, with interest, over the term thereof by utilizing moneys appropriated annually by the Legislature. The Corporation, in turn, utilizes the proceeds to repay, with interest, its advances from the Province.

—The situation with respect to the repayment of advances of $934,110,000 made by the Province to The Ontario Education Capital Aid Corporation is analogous to that outlined in the preceding example. Under a program discontinued in 1980, an average of 75% of the advances by the Province to this Corporation are repayable out of future years' expenditure appropriations.

—Loans of $147,703,949 to public hospitals as at March 31, 1984 are partially repayable out of future years' Provincial expenditure appropriations. Under a program discontinued in 1978 (and

replaced by capital grants), public hospitals used loans advanced by the Province for capital construction purposes. Using, in part, moneys appropriated annually by the Legislature, the hospitals repay their loans, with interest, over the term thereof. For the 1984 fiscal year, $11,494,890 was so subsidized by way of grants from the Province to the hospitals.

—Advances to the three Development Corporations (Ontario, Northern and Eastern) include amounts regarding term loans made by the Corporations. Each year, the Corporations write off certain term loans that are deemed to be uncollectible. When such loans are written off, moneys appropriated by the Legislature for that purpose are used by the Corporations to repay their corresponding advances from the Province. For the year ended March 31, 1984, $6,584,593 was so utilized.

5.5 Loans Receivable Not Included in Statement of Financial Position

As covered in the Summary of Significant Accounting Policies, the assets recorded in the financial statements are those resulting from financial claims on other parties which have been created by cash transactions. Accordingly, loans, advances and investments made by the Province are normally included as assets on the Statement of Financial Position.

Certain loans, however, do not appear on the Statement of Financial Position. The Ministry of Treasury and Economics has determined that, where loans generally have one or more of the following characteristics, they are to be classified as expenditure:

- either no specific security or security of limited value;
- no specific repayment terms;
- repayment conditional only on future uncertain events.

These loans are considered to be in the nature of "recoverable grants", and, as stated, are treated as expenditure when made. When repayments are received, they are treated as revenue.

The major examples of loans included in this category relate to programs administered by the Ministry of Municipal Affairs and Housing. Loans under these programs, totalling approximately $202 million as at March 31, 1984, are summarized as follows:

- Ontario Renter-Buy Program ($71.1 million);
- Ontario Rental Construction Loan Program ($75.5 million);

- Downtown Revitalization Program ($48.5 million);
- Main Street Revitalization Program ($7.0 million).

5.6 Comfort Letters

BACKGROUND

Section 4.6 of our 1982 Report provided details of the transaction whereby Ontario Energy Resources Limited (OERL) financed one-half of the purchase price for 25 per cent of the common shares of Suncor Inc. by the issue of promissory notes of $325 million to Sun Company, Inc. These notes were guaranteed by Ontario Energy Corporation, the parent company of OERL.

In this connection, the then Treasurer of Ontario issued a comfort letter to Sun Company, Inc. in December 1981, stating that it was the intention of the Government of Ontario to provide the Ontario Energy Corporation with sufficient funds to enable it to discharge its obligations related to the guarantee.

The undertaking contained in the preceding letter has not been included in the Province's contingent liabilities (note 8 to the financial statements). The primary reasons of the Ministry of Treasury and Economics in support of this are as follows:

- The letter represented a mere expression of present intention, as opposed to a guarantee giving rise to enforceable contractual rights;
- The letter was provided without any consideration passing from Sun Company, Inc. to the Treasurer; and
- The letter was provided only to Sun Company, Inc., and did not include a provision relating to any possible subsequent holders of the promissory notes.

CURRENT STATUS

Resulting from its review of the preceding Report section, in its December 1983 Report to the Legislature the Public Accounts Committee recommended that "the Provincial Auditor request, from the Treasurer of Ontario, all relevant information that would enable him to monitor the number and nature of comfort letters issued annually."

In this regard, we were advised on August 3, 1984 by the Deputy Minister of Treasury and Economics that the letter issued to Sun Company, Inc. was the only comfort letter in force at March 31, 1984 of which the

Ministry was aware. The remaining principal balance of the promissory notes covered by this letter was $292.5 million as at March 31, 1984.

The Deputy Minister also advised us that ". . . we are aware of letters issued by the Ministry of Health to various public hospitals concerning bridge financing of construction loans. It is not the intention of the Government that these letters be considered comfort letters. They are merely a confirmation of the financing arrangements between the hospital and Ministry of Health. A copy of the letter is, however, given by the hospital to the lender who may take some comfort from its contents. The letters are signed by an official of the Ministry of Health. As at March 31, 1984 the debt outstanding on all bridge financed loans was $87.6 million."

Having reviewed the content of such letters, we agree that they should not be considered as comfort letters. They are addressed to the hospital, confirm the amount and timing of capital grant payments that will be made to the hospital, and confirm that the hospital is authorized to obtain any necessary bridge financing.

In accordance with the Public Accounts Committee's recommendations, the issuance of comfort letters will be monitored annually. Should the results of our future monitoring disclose that comfort letters in addition to the one issued by the then Treasurer to Sun Company, Inc. have been issued, details thereof will be provided in our annual Reports to the Legislature.

5.7 Payments Out of the Consolidated Revenue Fund

Payments out of the Consolidated Revenue Fund are of three classifications:

- Budgetary Transactions — expenditure, consisting of payments for goods and services, salaries, interest on public debt, subsidies and grants, and acquisition or construction of fixed assets;
- Non-Budgetary Transactions — loans, advances and investments, payments from pension and related adjustment funds, and payments from trust and special purpose accounts;
- Financing Transactions — retirement of loans.

These payments are of two major types: those pursuant to Estimates, including Supplementary Estimates, approved by the Legislative Assembly, and those pursuant to the provisions of various statutes. The former are termed payments from Voted Appropriations

while the latter are termed payments from Statutory Appropriations. Voted Appropriations, which are formalized annually by legislation cited as the Supply Act, may be augmented by Management Board Orders. The nature of Management Board Orders is more fully explained in section 5.11.

A third type of payment out of the Consolidated Revenue Fund is that pursuant to delegated authority in the form of Special Warrants. The nature of this authority is more fully explained in section 5.12.

A comparative summary of payments out of the Consolidated Revenue Fund is as follows:

Payments re:	1984 $	1983 $
Voted Appropriations		
per Legislative Assembly		
Budgetary Expenditure	21,446,571,572	19,520,175,315
Loans, Advances and Investments	124,595,789	115,613,508
	21,571,167,361	19,635,788,823
per Management Board Orders		
Budgetary Expenditure	231,419,270	448,535,346
Loans, Advances and Investments	804,859	—
	232,224,129	448,535,346
Total Voted Appropriations	21,803,391,490	20,084,324,169
Statutory Appropriations		
Budgetary Expenditure	2,875,186,566	2,540,486,307
Loans, Advances and Investments	50,738,106	65,786,167
Payments from Pension and Related Adjustment Funds	174,392,630	145,291,368
Trust and Special Purpose Accounts	32,754,705	76,076,587
Retirements of Loans	276,414,819	129,729,587
Total Statutory Appropriations	3,409,486,826	2,957,370,016
Total Payments	25,212,878,316	23,041,694,185

Reference has been made in section 5.2 to Ontario Hydro transactions. Since these transactions are not part of the Province's own budget plan, and since these transactions flow through the Consolidated Revenue Fund without increasing or decreasing the overall balance in the Fund, they have not been included in the preceding summary.

5.8 Voted Appropriations — Comparison of Authorized and Actual Payments

This comparison for the fiscal year ended March 31, 1984 is as follows:

	Authorized $	Actual $	Actual Under (Over) Authorized $
Voted Appropriations per Legislative Assembly			
Budgetary Expenditure	21,943,583,500	21,446,571,572	497,011,928
Loans, Advances and Investments	132,591,000	124,595,789	7,995,211
	22,076,174,500	21,571,167,361	505,007,139
per Management Board Orders			
Budgetary Expenditure	266,635,900	231,419,270	35,216,630
Loans, Advances and Investments	1,150,000	804,859	345,141
	267,785,900	232,224,129	35,561,771
	22,343,960,400	21,803,391,490	540,568,910

5.9 Statutory Appropriations

Payments from Statutory Appropriations represent those where the specific authority to spend money from the Consolidated Revenue Fund is expressly contained in a statute of the Legislature.

As such, Statutory Appropriations are not voted upon and do not require the approval of the Legislature. However, they are provided for in the annual Estimates for the information of the Legislature, representing the amount the government believes will be spent in accordance with the authority given in the various statutes. Unlike Voted Appropriations, Statutory Appropriations are not supplemented by Management Board Orders when required spending thereunder exceeds the amounts provided for.

A detailed listing of Statutory Appropriations, showing the amounts provided in the Estimates (Main and Supplementary) and expended thereunder, is included as Exhibit 4 of this Report.

During the 1984 fiscal year, Statutory Appropriation payments

made under the authority of 28 Acts exceeded $3.409 billion. This expenditure constituted 13.5 per cent of the total payments out of the Consolidated Revenue Fund. The comparative percentage for the 1983 fiscal year was 12.8.

A comparative summary, by authorizing legislation, of such payments exceeding $50 million is as follows:

	1984	1983
	$	$
Financial Administration Act ...	2,827,413,189	2,301,732,026
Teachers' Superannuation Act ..	189,107,541	166,746,272
Superannuation Adjustment Benefits	152,555,149	127,623,585
Public Service Superannuation Act	124,613,770	108,824,958
Housing Development Act	10,923,370	61,988,014
Massey-Ferguson Limited Act, 1981	—	75,809,615
	3,304,613,019	2,842,724,470

Public Debt interest expenditure of $2.534 billion and $2.110 billion for fiscal years 1984 and 1983 respectively is included in the amount shown under the Financial Administration Act.

The payment of $75,809,615 in the 1983 fiscal year was made under section 2 of the Massey-Ferguson Limited Act, 1981. It represented the purchase of three million $25 stated value cumulative redeemable retractable preferred shares, Series "D", issued by Massey-Ferguson Limited.

Excluded from the preceding figures are statutory appropriations relating to Ontario Hydro Transactions which can be summarized as follows:

	1984	1983
	$	$
Financial Administration Act		
Ontario securities issued on behalf of Ontario Hydro:		
—interest paid	672,922,622	617,612,943
—securities retired	128,373,000	219,545,000
Power Corporation Act		
Advances to Ontario Hydro ..	300,000,000	600,000,000
	1,101,295,622	1,437,157,943

5.10 Statement of Budgetary Expenditure

The Statement of Budgetary Expenditure is contained in Volume 1 of the 1983-84 Public Accounts and is reproduced in Exhibit 2 of this Report. A more detailed analysis of total budgetary expenditure can be obtained by the use of the standard accounts classifications. Under these classifications the budgetary expenditure for the 1984 and 1983 fiscal years as shown on pages 2-15 and 2-15, respectively, of Volume 1 of the Public Accounts may be summarized as follows:

	1984		1983	
	$	%	$	%
Transfer Payments	18,039,199,771	73.5	16,418,408,131	72.9
Salaries & Wages	2,159,944,462	8.8	2,062,168,786	9.2
Other Transactions				
—Public debt expenditure (interest on debentures, etc.)	2,533,639,823	10.3	2,117,278,563	9.4
—Other	81,889,026	0.3	82,637,065	0.4
Services	982,134,138	4.0	987,538,084	4.4
Acquisition/Construction of Physical Assets	444,286,605	1.8	638,401,450	2.8
Supplies & Equipment	440,748,352	1.8	433,083,534	1.9
Employee Benefits	348,415,799	1.4	312,994,964	1.4
Transportation and Communication	223,675,921	0.9	203,882,139	0.9
	25,253,933,897		23,256,392,716	
Less: Recoveries from other Activities, Ministries, etc.	700,756,489	2.8	747,195,748	3.3
Total Budgetary Expenditure	24,553,177,408	100.0	22,509,196,968	100.0

Transfer payments represent expenditure made to individuals, organizations and other levels of government for which the Province does not directly receive goods or services. Such expenditure is made in accordance with legislation or established ministry policy.

Recoveries from other Activities and Ministries relate mainly to costs incurred by certain ministries, on behalf of other ministries, which are subsequently recovered from the benefiting ministries. For Public Accounts presentation purposes, these recoveries are generally not netted against the particular expenditure category or sub-category (e.g. salaries and wages, services, etc.) but are deducted in total from aggregate expenditure.

The other standard accounts classifications are largely self-explanatory; however, a more detailed description of the type of

expenditure included in each classification is contained on page ix of Volume 1 of the 1983-84 Public Accounts.

In the 1984 fiscal year over $14.5 billion or more than 80 per cent of the total transfer payments, was expended by four ministries. The comparable figures for the 1983 fiscal year were $13.0 billion and 79 per cent respectively. A summary of the four ministries, including identification of major categories exceeding $150 million is as follows:

Category	1984 $	1983 $
Ministry of Health		
Operation of hospitals and related facilities	3,804,249,921	3,428,059,230
Payments re physicians' and practitioners' services under OHIP	2,149,308,904	1,846,532,110
Ontario Drug Benefit Plan	254,148,300	211,549,608
Extended Care Health Insurance Benefits	241,698,354	223,296,066
Other transfer payments	709,257,709	613,399,468
	7,158,663,188	6,322,836,482
Ministry of Education		
Grants for elementary and secondary education (to school boards)	2,968,254,166	2,734,477,283
Payments to Teachers' Superannuation Commission	346,598,811	313,778,183
Other transfer payments	16,132,179	16,077,397
	3,330,985,156	3,064,332,863
Ministry of Colleges and Universities		
Grants for universities and related organizations	1,240,505,983	1,157,311,000
Grants for colleges of applied arts and technology, etc.	494,650,003	458,375,445
Other transfer payments	325,130,989	296,895,381
	2,060,286,975	1,912,581,826
Ministry of Community and Social Services		
Provincial and municipal allowances and benefits	1,127,820,921	957,851,085
Children's Social Services	349,951,347	324,195,847
Adults' Social Services	283,675,513	259,192,239

Developmental Services — Adults and Children	180,772,459	150,644,429
Other transfer payments	58,657,596	49,288,449
	2,000,877,836	1,741,172,049
Total	14,550,813,155	13,040,923,220

5.11 Management Board Orders

Section 5 of the Management Board of Cabinet Act provides that, where an appropriation is exhausted or a sufficient amount was not provided and the public interest or the urgent requirements of the public service necessitate further payments, the Board may make an order authorizing payments to be made against such amounts as it considers proper.

A summary of the Management Board Orders issued for the past five fiscal years is as follows:

	Number of Board Orders	Number of Items	Authorized Amount $
1984	94	265	267,785,900
1983	90	348	481,314,900
1982	108	394	508,421,348
1981	80	441	513,838,600
1980	67	313	161,890,065

By way of additional information, the Management Board Orders for the 1984 fiscal year are summarized as follows by month of issue:

Month of Issue	Number	Authorized $	%
June 1983	1	6,190,500	2.31
July 1983	1	540,000	0.20
August 1983	2	4,857,000	1.81
September 1983	1	5,000,000	1.87
October 1983	1	60,000	0.02
December 1983	3	619,800	0.23
January 1984	8	14,597,700	5.45
February 1984	15	29,386,200	10.97
March 1984	36	140,223,400	52.37
April 1984	26	66,311,300	24.77
	94	267,785,900	100.00

In section 5.11 of our previous year's report, we noted that four Management Board Orders for the 1983 fiscal year had been issued retroactively. Since the expenditures were made prior to obtaining Management Board Orders, the existing appropriations had been, in effect, illegally overspent.

We are pleased to note that this situation did not recur for the 1984 fiscal year. In this regard, in a January 17, 1984 letter to Deputy Ministers, the Secretary of Management Board of Cabinet stated that "In future, the Secretariat will no longer recommend that retroactive Management Board Orders be issued."

A detailed listing of Management Board Orders, showing the amounts authorized and expended thereunder, is included as Exhibit 3 of this Report.

In accordance with Standing Order number 51 of the Legislative Assembly, the preceding Management Board Orders have been printed in The Ontario Gazette, together with explanatory information.

5.12 Special Warrants

Section 4 of the Management Board of Cabinet Act provides for the issue of a special warrant, when the Legislature is not in session, authorizing payment of an amount required to meet an expenditure not foreseen or provided for by the Legislature and which is urgently required for the public good.

No special warrants were issued in respect of the fiscal year ended March 31, 1984.

5.13 Transfers Authorized by Board of Internal Economy

Section 88 of the Legislative Assembly Act reads:

> "The Board of Internal Economy may authorize the transfer of moneys from one item of the estimates of the Office of the Assembly to another item within the same Vote and the Provincial Auditor shall make special mention in his report of any transfer under this section."

In respect of the 1983-84 expenditure estimates, the following transfers totalling $225,052 were made within Vote 1001:

From: Item 10	Constituency Offices	225,052

To:	Item 3 Chief Election Officer	1,156
	Item 8 Caucus Support Services	196,535
	Statutory Contribution to Legislative Assembly Retirement Allowances Account, the Legislative Assembly Retirement Allowances Act	27,361

5.14 Write-Off of Uncollectible Accounts

Section 5 of the Financial Administration Act reads as follows:

"5.—(1) Where a person has an obligation or debt due to the Crown or the Crown has a claim against a person, the Treasurer may, subject to any other Act affecting such obligation, debt or claim, negotiate and accept a settlement in payment and satisfaction of such obligation, debt or claim, or may determine that any such obligation, debt or claim is uncollectible.

"(2) The Lieutenant Governor in Council, on the recommendation of the Treasurer, may, if he considers it in the public interest, delete from the accounts any loss incurred in any settlement or determination made under subsection (1).

"(3) The losses deleted from the accounts during any fiscal year shall be reported in the Public Accounts for that year."

A summary of the losses deleted from the accounts for the past five fiscal years is as follows:

	$
1984	17,556,530
1983	9,658,738
1982	12,607,776
1981	10,295,160
1980	15,342,289

The majority of the preceding write-offs do not affect the Net Debt of the Province, since they relate to memorandum accounts which are set out on pages 3-21 to 3-24 of Volume 1 of the Public Accounts.

During the 1984 fiscal year six Orders in Council were passed authorizing the deletion of losses from the accounts. Deleted losses totalled $17,556,530 and are summarized by ministry on page 3-19 of Volume 1 of the Public Accounts. The following additional comment is provided for some of the larger write-offs.

The Ministry of Revenue wrote off $10,096,088 with respect to

various unpaid taxes and GAINS overpayments. The major write-offs were as follows:

	$
Corporations Tax Act	3,253,673
Retail Sales Tax	2,546,692
Tobacco Tax Act	2,219,440
Motor Vehicle Fuel Tax Act	1,135,697
Succession Duty Act	477,519
Ontario Guaranteed Annual Income Act (GAINS)	453,507

The majority of these write-offs occur within one year of the accounts being deemed uncollectible.

Uncollectible accounts totalling $2,552,238 relative to fines, costs and fees owed to Provincial Courts were written off by the Ministry of the Attorney General. Virtually all of these write-offs involve accounts which are at least four years old.

The Ministry of Consumer and Commercial Relations wrote off $2,207,462 with respect to the Motor Vehicle Accident Claims Fund. The majority of this write-off pertained to claims/judgements at least ten years old, on which no payments had been made for at least five years.

6

OFFICE OF THE PROVINCIAL AUDITOR

6.1 Office Goals

PRIMARY GOAL

The primary goal of the Legislative Auditor can be described as follows:

> —To help the Legislature hold the government accountable by reporting to the Legislature on the quality of the administration's stewardship of public funds.

The Provincial Auditor seeks to achieve this goal by reporting annually to the Legislature under the authority of section 12 of the Audit Act. Essentially, this annual report consists of:

- expression of an opinion on the Province's financial statements as to their fairness and consistency in accordance with stated accounting policies, and
- disclosure of significant matters noted in the course of audit of government ministries and agencies, for example, where:
  - —accounts were not properly kept or essential records not maintained;
  - —rules and procedures were not adequate for the safeguard of public property, the collection of revenue and the authorization of expenditure;
  - —money was expended without due regard to economy and efficiency;
  - —appropriate procedures were not established to measure and report on the effectiveness of programs.

We endeavour to be constructive and our observations, therefore, are accompanied by recommendations wherever possible.

SECONDARY GOAL

While the Provincial Auditor's primary reporting responsibility to the Legislature is unequivocal, the Provincial Auditor has a secondary reporting responsibility to those charged with the administration of the

various agencies and ministries which he audits. For agencies this responsibility is generally stipulated in the enabling legislation. For ministries this responsibility has not been legislated. Rather it has been recognized by the Provincial Auditor as a further responsibility which is appropriate in the circumstances and in the interest of improved government administration.

Accordingly the secondary goal of the Provincial Auditor can be expressed as follows:

> —To help Deputy Ministers/Agency Heads hold their administrations accountable by reporting to them on the quality of the ministries'/agencies' stewardship of public funds.

The Provincial Auditor reports to a Deputy Minister or to an Agency Head at the conclusion of each audit. These reports consist of assessments of significant areas covered in the course of audit together with recommendations for improvement.

The reporting process is more fully described in section 6.7.

6.2 Audit Responsibilities

PRIMARY RESPONSIBILITIES

The primary audit responsibilities of the Provincial Auditor are twofold and involve the examination of:

(a) The accounts of the Province in accordance with his appointment as auditor under the Audit Act.

(b) The accounts of agencies of the Crown in accordance with his appointment as auditor under various related statutes or other appropriate authorities.

Accounts of the Province

The examination of the accounts of the Province is made in conformity with section 9(1) of the Act which reads as follows:

> "The Auditor shall audit, on behalf of the Assembly and in such manner as the Auditor considers necessary, the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund whether held in trust or otherwise."

In this connection, all ministries are subject to audit in accordance therewith. These audits, when combined with the audit activities of the

Office's Reporting and Standards Branch, enable the Provincial Auditor to express an opinion on the financial statements of the Province. A listing of the ministry audits covered by this report appears in Exhibit 6.

Accounts of Agencies of the Crown

An agency of the Crown is defined in section 1(a) of the Audit Act (see Exhibit 1). For the year ended March 31, 1984 the Provincial Auditor had direct audit responsibility for sixty-one agencies of the Crown pursuant to his appointment as auditor by shareholders, governing bodies or under various statutes. These agencies are listed as parts (i) and (ii) of Exhibit 7 of this Report.

Section 9(2) of the Act provides that in instances where an agency of the Crown is audited by an auditor other than the Provincial Auditor, the audit is to be performed under the direction of the Provincial Auditor, and such other auditor is required to report to the Provincial Auditor. For the year ended March 31, 1984 seven agencies were in this category, and are shown under parts (iii) and (iv) of Exhibit 7.

ADDITIONAL RESPONSIBILITIES

Under section 16 of the Act, the Provincial Auditor is required to examine into and report on any matter referred to him in respect of the Public Accounts by a resolution of the Standing Public Accounts Committee.

Section 17 of the Act requires the Provincial Auditor to undertake such special assignments as may be required by either the Assembly, the Standing Public Accounts Committee (by resolution of the Committee), or by a Minister, provided that such special assignments do not take precedence over the Auditor's other duties. Further, if such an assignment is referred to the Provincial Auditor by a Minister, it can be declined if, in the opinion of the Auditor, it conflicts with his other duties.

6.3 Audit Activities

ATTEST AND COMPLIANCE

In order to express a professional opinion on the financial statements of the Province and numerous agencies of the Crown, audits are conducted in accordance with generally accepted auditing standards, as promulgated by the Canadian Institute of Chartered Accountants.

All ministry and agency audits include a general review of the accounting procedures and systems of internal control, together with such

tests of accounting records and supporting evidence as are considered necessary in the circumstances. Additionally, compliance with existing statutes, regulations and administrative requirements is reviewed.

Fraud and Error

When performing audits in accordance with generally accepted auditing standards, auditors seek reasonable assurance through various means that material fraud and error have not occurred or that, if they have occurred, they are corrected and properly accounted for. However, it must be realized that such audits may not detect, and are not primarily designed to detect, every instance of fraud or error.

The resources required to examine the circumstances behind and the support for every transaction recorded would be prohibitive. Even if the resources were available, assurance that there were no unrecorded transactions would still be lacking. Furthermore, collusion between ministry/agency personnel and outside parties, or among management or employees could result in apparently genuine but falsified transactions and documents being accepted by the auditor.

VALUE FOR MONEY

In addition to the preceding activities of an attest/compliance nature, section 12(2)(f) of the Audit Act requires the Provincial Auditor to report on any cases where he has observed that money was expended without due regard to economy and efficiency, or where appropriate procedures were not taken to measure the effectiveness of programs. This is commonly known as the value for money audit mandate.

More concisely, the Provincial Auditor is required to report to the Legislature significant instances where he has observed that management is not fulfilling its responsibilities. It should be noted that it is not part of our mandate to evaluate the effectiveness of programs, or to develop standards dealing with the efficiency of program delivery. These are ministry/agency management functions. Our mandate is to assess the extent to which these functions have been carried out by management.

The Office undertakes reviews on a program, activity or system basis. These reviews are designed to assess components of the management process as they relate to economy, efficiency and procedures to measure effectiveness.

For a description of the management process in Ontario and definitions and examples of the terms economy, efficiency and effectiveness, reference can be made to sections 6.5 and 6.6 of our previous year's report.

COORDINATION WITH INTERNAL AUDIT

Wherever possible, in order to avoid duplication of effort, we rely on work that has been done and reports that have been issued by ministry and agency Internal Audit Branches.

At or near the commencement of each audit, the in-charge auditor meets with the Director of the ministry or agency Internal Audit Branch in order to determine the nature and extent of internal audit reviews conducted during the period subsequent to our previous audit of the ministry or agency. As part of this process, the internal audit working paper files, reports to management and replies from management are reviewed.

Based on this review, we modify our own audit work to avoid areas that have already been adequately covered by the internal auditors.

6.4 Frequency and Initiation of Ministry Audits

FREQUENCY

The Office has recently adopted a cyclical approach to Ministry audits. Essentially, this means that, in addition to the annual attest audit work which is required in ministries for the expression of an opinion on the Province's financial statements, audit activity is conducted in some ministries every year, in others every second year, and in the remaining ministries every fourth year. The frequency of individual ministry audits is based on a number of factors, including total annual expenditure, diversity and complexity of operations and the extent of significant regulatory responsibilities.

These ministry audits cover, normally on a program basis, an appropriate minimum percentage (i.e. 25 per cent, 50 per cent or 100 per cent, based on the frequency of the cycle) of each ministry's revenue and expenditure. In effect, during the four year cycle, internal controls in the major financial systems, compliance with significant legislation and directives, and attention to economy, efficiency and the measurement of effectiveness in key programs/activities will be reviewed.

INITIATION

As a result of the preceding cyclical approach, ministry personnel are not aware in advance as to when an audit of their ministry will be conducted. The Provincial Auditor, therefore, has adopted the practice of writing to Deputy Ministers prior to the commencement of audits in their ministries. The Deputy Ministers, in this way, are advised of the date the

audit will commence as well as the identity of the Office staff members who will be involved in the audit.

Agency of the Crown audits, on the other hand, are always conducted on an annual basis. Agency personnel are therefore aware that Office staff will be on site at least once, and in the case of interim audits, twice every year. For this reason, it is not considered necessary to formally advise agency heads of forthcoming audits. However, arrangements for agency of the Crown audits are orally agreed upon with senior agency staff prior to the commencement of each audit.

6.5 Audit of Transfer Payments

Section 6.7 of last year's report on the audit of transfer payments dealt in detail with the following topics:

- audits at the ministries;
- inspection audits of transfer payment recipients and value for money implications;
- the value for money issue as it relates to transfer payments.

AUDITS AT THE MINISTRIES

Transfer payments, comprising more than 70% of Provincial expenditures, represent expenditures for which the Province does not directly receive goods or services. The payments may be for specific purposes (funding of school boards and universities) or may be unconditional (per capita grants to municipalities).

Our ongoing attest/compliance activities involve the testing of selected payments, including transfer payments, for proper authorizations and calculations. In addition, economy and efficiency in the administration of transfer payments and procedures in place to measure the effectiveness of the transfer payment programs are also reviewed. The ministries' internal audit branches may also carry out similar procedures, but duplication of effort is avoided by checking the extent of their coverage at the start of our audits.

INSPECTION AUDITS OF TRANSFER PAYMENT RECIPIENTS

Section 13 of the Audit Act gives the Provincial Auditor the right of access to the accounting records of transfer payment recipients who were given funds for specific purposes. The inspection audit enables our Office to determine whether the funds were, in fact, spent for the purposes specified or that the grant conditions were met. Ministry internal auditors may also carry out inspection audits pursuant to the terms of agreements with transfer payment recipients. Due to the multiplicity of recipients our

Office conducts inspection audits on an exception basis where circumstances warrant the extension of our audit of the ministry. Inspection audits, being an examination of accounting records, do not specifically involve the value for money considerations of economy, efficiency and effectiveness of the recipient's operations; however, observations on these matters may arise as a by-product of inspection audits.

TRANSFER PAYMENTS AND THE VALUE FOR MONEY ISSUE

We believe it is the responsibility of the government to assure that funds provided in the form of transfer payments are well managed by the recipients, that is, spent with due regard for economy, efficiency and effectiveness. Value for money auditing can certainly assist funding ministries/agencies in the fulfillment of this responsibility.

The impetus for value for money auditing should come from the funding ministries/agencies. Such auditing could be conducted by the recipients' appointed auditors or by the internal audit staff of the funding ministries.

The Provincial Auditor would not have any direct involvement in the aforementioned value for money audit process. Indirectly he may become involved in the course of his continuing ministry audit responsibilities. This involvement may arise as a result of assessing the steps taken by a ministry to satisfy itself that funded organizations are being well managed.

6.6 Crown Controlled Corporations

In section 6.8 of our previous year's report we noted the responsibilities associated with the audit of Crown controlled corporations by public accounting firms or by our Office. For the definition of a Crown controlled corporation reference should be made to section 1(e) of the Audit Act (see Exhibit 1). A listing of Crown controlled corporations audited by public accounting firms, for the year ended March 31, 1984, is included as part of Exhibit 7 of this Report.

AUDITED BY PUBLIC ACCOUNTING FIRMS

Under section 9(3) of the Audit Act the public accountant auditing a Crown controlled corporation has certain duties:

- the auditor is required to deliver to the Provincial Auditor a copy of the audited financial statements and the management letter;
- the auditor must make available for review all working

papers, reports, schedules and documentation requested by the Provincial Auditor;

- the auditor must, if requested by the Provincial Auditor, provide explanations and information as to the nature and extent of the audit work carried out and the results obtained.

The audit of Crown controlled corporations should involve value for money considerations. As the Provincial Auditor has no responsibility for the audit process, he cannot direct the other auditor to undertake value for money auditing. The other auditor, however, must be prepared to advise the Provincial Auditor, if not already covered in the management letter, of any deficiencies in respect of value for money observed during the audit. Also, if the Provincial Auditor believes that the information, explanations and documentation, obtained through application of section 9(3) of the Audit Act, are insufficient, he can request the other auditor to conduct value for money auditing (per section 9(4)). However, the other auditor could decline, thus necessitating a review by the Provincial Auditor.

NOT AUDITED BY PUBLIC ACCOUNTING FIRMS

In addition to Crown controlled corporations audited by public accounting firms, there are certain other Crown controlled corporations whose enacting legislation does not contain any audit provision. In the case of these corporations, their revenue is not retained, but is deposited directly into the Consolidated Revenue Fund of the Province. Expenditures of these corporations are paid by ministries out of moneys appropriated therefor by the Legislature. As a result, these corporations have no assets or liabilities for accounting purposes. The operations and transactions of such corporations are, however, subject to audit as part of our ministry audit process. Examples of these corporations are the Liquor Licence Board and the Niagara Escarpment Commission.

6.7 Provincial Auditor's Reporting Process

A complete description of our reporting process was contained in section 6.9 of last year's report. The section dealt with:

- the procedures leading up to the publishing of the annual report and its subsequent review;
- the disclosure requirements for other audit reports.

A brief summary of this reporting process follows:

MINISTRIES AND AGENCIES

At the conclusion of each audit our reporting process involves:

- discussion of the draft report with senior officials designated by the ministry or agency, but not including those to whom the final report is to be addressed;
- revision of the draft report, resulting from the discussion or from subsequent review by the Assistant Provincial Auditor or the Provincial Auditor;
- issue of the final report to the ministry's Deputy Minister or, in the case of agencies, to the Board of Directors and the Minister of the associated ministry;
- further discussion of the report if requested by the ministry or agency.

Interim Procedures

Where interim audits of agencies have occurred our reporting procedures are as follows:

- in a letter to the Chief Executive Officer, the appropriate Branch Director in our Office outlines our major findings and recommendations;
- significant findings in the interim letter, together with the current status thereof, are included in our final report.

General

Draft reports and interim letters are considered to be an integral part of the audit working papers and, according to section 19 of the Audit Act, are not required to be laid before the Assembly or any of its committees.

PUBLIC DISCLOSURE OF AUDIT REPORTS

Provincial Auditor's Annual Report

Audit reports on ministries and agencies provide the main content (see Chapters 3 and 4) of the annual Report which becomes a public document when laid before the Legislative Assembly. The steps in this reporting process are as follows:

- individual reports are reviewed by the Office's Management Committee for matters of significance or interest to the Assembly;
- selected items and relevant client responses received up to

September 30 only (due to printing deadlines) are included in the annual Report;

- matters raised by public accounting firms in the audit of Crown controlled corporations may also be included in the Report;
- the Report is tabled in the Assembly and subsequently referred to the Standing Public Accounts Committee for their review and deliberations (see section 1.5);
- client responses received after September 30, and pertaining to sections contained in the Report, are forwarded to the Committee;
- in a meeting open to the general public, the Committee calls upon representatives of the ministries or agencies to discuss selected sections of the Report.

Other Audit Reports

The Standing Public Accounts Committee or any other committee of the Legislature may, by resolution, request that individual audit reports be made available if they are deemed essential or beneficial in the pursuit of the committee's appointed duties. As soon as a report is laid before a committee it becomes a public document.

6.8 Office Organization and Personnel

ORGANIZATION

The Office of the Provincial Auditor consists of six branches, each of which is headed by a Director. The six branch Directors, together with the Director of Personnel and Administration, the Assistant Provincial Auditor and the Provincial Auditor, collectively comprise the Office's Management Committee. An organization chart of the Office is presented as Exhibit 5 of this Report.

Policy Field Branches (4)

The four Policy Field branches are responsible for the audits of all ministries and agencies of the Crown falling under each of the Provincial Government Policy Fields — General Government, Justice, Resources Development and Social Development. These branches also have responsibility for coordinating the Office's relationship with the external auditors of those Crown controlled corporations for which the Provincial Auditor is not the designated auditor.

Reporting and Standards Branch

The primary responsibilities of this branch are the audit of the

Province's financial statements which appear in Volume 1 of the Public Accounts, the preparation of the Annual Report of the Provincial Auditor to the Legislature, the development and maintenance of the Office's Audit Manual, and the conduct of post-audit quality control reviews.

Specialized Audits and Resources Branch

This branch has basic responsibility for EDP audits, and for recruitment, staff training and professional development.

PERSONNEL

The composition of the staff of the Audit Office at September 30, 1983 and 1984 was as follows:

	September 30	
	1983	1984
Management committee	8	9
Audit managers	13	14
Audit supervisors	15	14
Auditors	15	14
Student auditors, audit technicians and assistants	34	32
Personnel and administrative	8	8
Total staff	93	91

As indicated by the preceding summary, there was a reduction of 2 staff members during the year. This net loss was the result of 24 staff members leaving the Office together with the hiring of 22 new staff members. Efforts are being made to recruit new staff, thus bringing the Office closer to its currently authorized complement of 99.

Included in the category for student auditors, audit technicians and assistants are 29 employees who are enrolled in various stages of courses leading to professional qualifications through either The Institute of Chartered Accountants of Ontario (CA) or The Society of Management Accountants of Ontario (RIA).

6.9 Staff Training and Professional Development

The establishment and maintenance of an ongoing program of both pre and post qualification professional training is considered essential to the long-term development of the Office and its staff. Although "on the job" training is a major part of this program, our professional staff and students attend in-house courses and seminars designed to enhance their auditing and management skills. Some of the courses have been developed and presented by our staff whereas others are purchased.

In addition to the preceding, staff members also attend

independently sponsored seminars where it is felt that the material covered will be of benefit to job performance.

6.10 Canadian Conference of Legislative Auditors

The twelfth annual meeting of the Canadian Conference of Legislative Auditors was held in Charlottetown, Prince Edward Island from July 9 to 11, 1984. This association, consisting of the legislative auditors of all the provinces and Canada, has served since its inception as a useful forum for the sharing of ideas and information important to the legislative auditing community.

Matters discussed at the Conference, which was attended by three members of this Office, included:

- the content of annual reports;
- funding and valuation of public sector pension plans;
- computer usage and auditing;
- value for money/broad scope auditing.

At the same time, representatives of the Public Accounts Committees from the provinces and Canada held their sixth annual meeting. Included in the agenda of both groups was a combined meeting on July 10, at which time sessions were held on government financial statements and on auditors' relationships with the media at annual report time.

6.11 Examination of the Accounts of the Office of the Provincial Auditor

In accordance with section 28 of the Audit Act, the accounts related to the Office's expenditure for the year ended March 31, 1984 were audited by a firm of chartered accountants. The audited statement of expenditure, together with the report thereon, which will be submitted to the Board of Internal Economy and tabled in the Assembly during the fall session, are included as Exhibit 8 of this Report.

7

THE STANDING PUBLIC ACCOUNTS COMMITTEE

7.1 Appointment and Composition of the Committee

Standing Order 91 of the Legislative Assembly provides for the appointment of a Public Accounts Committee for the life of each Parliament, thus providing for continuity of membership. The current Committee, which was appointed in April 1981 at the commencement of the Thirty-Second Parliament, consists of twelve members.

Committee membership is proportional to the respective Party membership in the Legislature, and as has been the case since 1968, the Chairman is a member of the Official Opposition Party. The current Committee comprises six Progressive Conservatives, four Liberals and two New Democrats. However, since the Chairman cannot vote on any motions unless there is a tie, the Progressive Conservative Party has the voting majority on the Committee.

7.2 Role and Responsibilities of the Committee

Standing Order 91 requires that the Report of the Provincial Auditor and the Public Accounts be referred to the Committee as they become available. These documents, therefore, form the basis of the Committee's role.

The role of Public Accounts Committees in general is covered in the Canadian Comprehensive Auditing Foundation publication entitled "Improving Accountability — Canadian Public Accounts Committees and Legislative Auditors". Additionally, the role of the Ontario Committee was set out as part of its December 1980 Report to the Legislature.

In summary, the role of the Committee is to hold the Cabinet and government bureaucracy accountable for their administration. This accountability flows to the Committee, to Parliament, and ultimately, to the public at large.

In order to achieve this role, the Committee examines, assesses and reports to the Legislature on a number of issues, including:

- the reliability and appropriateness of information in the Public Accounts to provide a fair accounting of operations and financial transactions;

- the assessment, collection and proper allocation of revenue;
- the maintenance of expenditures within the limits and for the purposes authorized by the Legislature;
- the adequacy of controls to protect assets from loss, waste and misappropriation;
- the regard for economy in the acquisition of goods and services;
- the regard for efficiency in operations;
- the effectiveness of programs in meeting their stated objectives.

PROVINCIAL AUDITOR'S ROLE IN THE PROCESS

To a large extent, the performance of the Public Accounts Committee depends on its relationship with the Provincial Auditor. In this regard, it is this Office's role to bring the preceding issues forward in our annual Report in such a way that they can be dealt with constructively and intelligently by the Committee members who, for the most part, are neither professional accountants nor overly familiar with details of management systems and controls.

Additionally, the Provincial Auditor and senior staff members attend Committee meetings to provide assistance by answering questions and providing clarification regarding matters being reviewed by the Committee.

7.3 Committee Meetings

GENERAL

The Committee meets every Thursday morning when the Legislature is in session and, for the past several years, has met often during the summer and winter when the Legislature is not in session. All meetings, with the exception of those dealing with the setting of the Committee's agenda and the preparation of Committee reports, are open to the public.

WITNESSES

Most Committee meetings deal with those aspects of the operations of government ministries and Crown agencies related to assessing the legality and prudence of government expenditures and the establishment of proper administrative policies and procedures.

In this regard, at meetings where the Committee is dealing with ministry matters, a deputy minister, who is usually accompanied by senior ministry officials, appears as a witness to answer questions raised by

Committee members. Very rarely are Ministers themselves called as witnesses, since the Committee deals with administrative, as opposed to policy, matters.

When the Committee is dealing with Crown agencies, the chief executive officer, and at times, the chairman of the agency's Board appear as witnesses, usually accompanied by senior agency staff.

MEETINGS HELD

Reference was made in our 1983 Report (section 1.5) to Committee meetings during the Second and Third Sessions of the Thirty-Second Parliament, up to the time of the Committee's meetings from September 27 to 29, 1983 dealing with the accountability of selected Crown agencies.

Upon the return of the Legislature in the fall of 1983, the Committee held ten meetings during the months of October to December. Several of these meetings were related to motions passed by the Committee (see following sub-section), and two meetings were devoted to the preparation of the Committee's 1983 Report to the Legislature.

The Committee received the authorization of the Assembly to meet during the winter recess between sessions in order to review the Provincial Auditor's annual Report for 1983. As a result, six full-day meetings were held in late February and early March 1984, during which time thirteen sections of our 1983 Report were reviewed by the Committee.

In this connection, one day dealt with a detailed review of section 3.2 of the Report, related to the accountability for transfer payments. Deputy Ministers of Municipal Affairs and Housing, Community and Social Services, Education and Colleges and Universities, Health and the Secretary of the Management Board of Cabinet appeared as witnesses to discuss the current status of this issue. A further meeting, lasting for one-half day, dealt with the Province's cash management process and matters related to deposit, trust and reserve accounts, both of which pertained to the Province's Public Accounts.

After commencement of the Fourth Session of the Thirty-Second Parliament on March 20, 1984, the Committee held ten meetings during the months of March to June, prior to the adjournment of the Assembly on June 27, 1984 for the summer recess. Eleven sections of our 1983 Report were reviewed during these meetings, together with other matters related to Committee motions.

The Committee, with the authorization of the House, held a further 4 meetings in September 1984 to review our reports on matters related to certain aspects of the finances of Ontario Hydro (see following sub-section).

MOTIONS PASSED AT MEETINGS

Ministry of Government Services — Tendering and Related Practices

At its October 20, 1983 meeting, the Committee passed a motion requesting the Office to table with the Committee a report which was then in process related to a review of certain tendering and related practices within the Ministry of Government Services.

This report, which was prepared under section 17 of the Audit Act pursuant to the request of the Minister of Government Services, was tabled with the Committee and discussed at its November 17, 1983 meeting. Following a further motion on that date, the report was also discussed with the Deputy Minister of Government Services at the November 24 meeting and with the Secretary of Management Board at the December 1 meeting.

Pages 71 to 77 of the Committee's December 1983 Report to the Legislature summarized the issues covered at these meetings. The Committee expressed concern about the enforcement of compliance with the Manual of Administration, and suggested that the matter should be reviewed by the Government. Reference should be made to Exhibit 10 and section 3.13 of this Report for the current status of this recommendation.

Finances of Ontario Hydro

At its October 20, 1983 meeting, the Committee passed a motion initiating a review of certain aspects of the finances of Ontario Hydro. This motion, as supplemented by further motions on November 3 and December 1, directed the Provincial Auditor to assist the Committee in its review by preparing reports related to:

- the financial situation of the Darlington nuclear generating station construction project;
- the cost of the major tube replacement program at Pickering "A" nuclear generating station; and
- the total of Hydro's mothballing and write-off program in heavy water production and fossil fuel generation.

In order to provide better assistance to the Committee by dealing with the specific concerns and questions of the members, our review, for the most part, was focused on obtaining and analyzing information to answer specific questions from each of the three political parties represented on the Committee. These questions were tabled at the Committee's October 27, 1983 meeting.

As previously stated, the Committee held 4 meetings commencing on September 18, 1984 to review our reports and Ontario Hydro's response thereto. These meetings were preceded by a tour of both the Pickering

nuclear generating station and the Darlington nuclear generating station, now under construction.

It is expected that the results of the Committee's review will be included in its 1984 Report to the Legislature.

Algonquin Community College

Pursuant to a motion passed on March 6, 1984, the Deputy Minister of Colleges and Universities, together with the President of Algonquin Community College and the Chairman of the Ontario Council of Regents for Colleges of Applied Arts and Technology, attended the Committee's April 26, 1984 meeting. The purpose of their attendance was to explain the College's financial management and administrative systems, and in particular, the reasons for a $2.2 million grant overpayment from the Ministry to the College.

Arising from the testimony at this meeting, the Committee passed a further motion, on May 17, directing the Provincial Auditor "to investigate and review the financial management and administrative systems of Algonquin College and to report to this committee regarding the efficiency, effectiveness and economy of such financial management and administrative systems."

Our report dealing with this matter will be tabled with the Committee upon completion of our investigation.

Ministry of Agriculture and Food — Contracts

Resulting from a Committee motion passed on April 5, 1984, the Deputy Minister of Agriculture and Food attended the Committee's May 3 meeting, in order to explain the circumstances surrounding an apparent lack of compliance with the Ontario Manual of Administration.

The situation, in summary, related to payments made to a consulting firm on the basis of an April 1981 purchase order. These consulting services were continued during 1982, 1983 and a portion of 1984 without being re-tendered.

Recommendations, if any, arising from the Committee's May 3 meeting will be included in its 1984 Report to the Legislature.

Ministry of Municipal Affairs and Housing — Subdivision Agreement

At its May 31, 1984 meeting, the Committee passed a motion directing the Provincial Auditor to investigate the approval and administration of a subdivision agreement between the Ministry and Rygate Homes Inc. for the development of a subdivision in an unorganized township. Specifically, the motion deals with three aspects of this agreement:

- why the Ministry approved this subdivision with communal water services in an unorganized area;
- why a performance bond was not secured to guarantee completion of the project and services; and
- why the letters of credit with a bank were allowed to lapse before the project's completion.

Our report dealing with this motion will be tabled with the Committee upon completion.

7.4 Other Committee Activities

CANADIAN COUNCIL OF PUBLIC ACCOUNTS COMMITTEES

The sixth annual meeting of the Council was held in Charlottetown, Prince Edward Island from July 8 to 12, 1984. These annual meetings, which are attended by public accounts committee members from all the provinces and Canada, serve a useful role in the exchange of ideas and information amongst the members. The chairman and several members of the Ontario committee attended the current meeting.

The keynote address, dealing with Accountability in Government, was made by the Chairman of the Ontario committee, who was also the President of the Council. Matters discussed during the meetings included the role and function of Treasury Boards, Management Boards and Comptrollers General, case studies of various public accounts committees and, as previously referred to in section 6.10 of this Report, a combined meeting with the legislative auditors on government financial statements and on auditors' relationships with the media at annual report time.

OTHER

During the first week of October 1983, the Committee travelled to Washington, D.C., in order to gain an insight over auditing at the federal level in the United States and the operations of a Congressional committee that deals with various audit reports as part of its activities. In this connection, the Committee had meetings with staff of the United States General Accounting Office (GAO) and with the Chairman of the Sub-Committee on Government Information, Justice and Agriculture. This is a sub-committee of the House Committee on Government Operations, the House committee whose role most closely approximates that of the Ontario Public Accounts Committee.

Additionally, the Chairman and three members of the Public Accounts Committee will be travelling to London, England for meetings during the first week of October to review the new Audit Act in Great

Britain, the operations of the Public Accounts Committee and the accountability of Crown corporations.

7.5 Reports of the Committee

GENERAL

The Committee's annual Report is tabled with the Legislature in December of each year. The Report consists of a précis of the information reviewed by the Committee during its meetings, together with a summary of the Committee's comments and recommendations. At times, although not frequently, the Committee also issues interim reports.

Once the report is tabled in the Legislature, a debate is scheduled thereon. This debate provides Committee members with the opportunity to once again bring items of concern to the Legislature's attention. Additionally, it provides an opportunity for various cabinet ministers to comment on matters that have been dealt with by the Committee.

1983 REPORT

The Committee's 1983 Report to the Legislature was tabled on December 14, 1983 and was debated in the Assembly on April 27 and May 10, 1984. Motions for adoption of the recommendations contained in both the Committee's 1982 and 1983 reports were carried on April 24, 1984.

For informational purposes, Exhibit 10 of this Report summarizes and provides the current status of all recommendations contained in the Committee's 1983 Report. Exhibit 10 also provides an update on the status of recommendations contained in previous Committee reports, to the extent that such recommendations were considered unresolved by the relevant ministry or agency per Exhibit 10 of our 1983 Report.

EXHIBITS

1. Sections of the Audit Act Relevant to the Responsibilities of the Provincial Auditor.
2. Province of Ontario, Audited Financial Statements, Year Ended March 31, 1984.
3. Management Board Orders—Amounts Authorized and Expended Thereunder, Year Ended March 31, 1984.
4. Statutory Appropriations—Amounts Provided and Expended Thereunder, Year Ended March 31, 1984.

Office of the Provincial Auditor:

5. Organization Chart.
6. Ministry Audits and Special Reviews, Year Ended March 31, 1984.
7. Agency of the Crown and Crown Controlled Corporation Audits, Year Ended March 31, 1984.
8. Audited Statement of Expenditure, Year Ended March 31, 1984.
9. Status of Suggested Corrective Action and Recommendations Contained in Previous Annual Reports.
10. Status of Recommendations Contained in the Reports of the Standing Public Accounts Committee to the Legislative Assembly.

EXHIBIT 1

SECTIONS OF THE AUDIT ACT RELEVANT TO THE RESPONSIBILITIES OF THE PROVINCIAL AUDITOR

KEY DEFINITIONS

Agency of the Crown

1.(a) "agency of the Crown" means an association, authority, board, commission, corporation, council, foundation, institution, organization or other body,

(i) whose accounts the Auditor is appointed to audit by its shareholders or by its board of management, board of directors or other governing body,

(ii) whose accounts are audited by the Auditor under any other Act or whose accounts the Auditor is appointed by the Lieutenant Governor in Council to audit,

(iii) whose accounts are audited by an auditor, other than the Auditor, appointed by the Lieutenant Governor in Council, or

(iv) the audit of the accounts of which the Auditor is required to direct or review or in respect of which the auditor's report and the working papers used in the preparation of the auditor's statement are required to be made available to the Auditor under any other Act,

but does not include one that the Crown Agency Act states is not affected by that Act or that any other Act states is not a Crown Agency within the meaning or for the purposes of the Crown Agency Act.

Crown Controlled Corporation

1.(e) "Crown controlled corporation" means a corporation that is not an agency of the Crown and having 50 per cent or more of its issued and outstanding shares vested in Her Majesty in right of Ontario or having the appointment of a majority of its board of directors made or approved by the Lieutenant Governor in Council.

Inspection Audit

1.(g) "inspection audit" means an examination of accounting records.

EXAMINATION OF ACCOUNTS

Consolidated Revenue Fund

9.(1) The Auditor shall audit, on behalf of the Assembly and in such

manner as the Auditor considers necessary, the accounts and records of the receipt and disbursement of public money forming part of the Consolidated Revenue Fund whether held in trust or otherwise.

Agencies of the Crown and Crown Controlled Corporations

9.(2) Where the accounts and financial transactions of an agency of the Crown are not audited by another auditor, the Auditor shall perform the audit, and, notwithstanding any provision of any other Act, where the accounts and financial transactions of an agency of the Crown are audited by another auditor, the audit shall be performed under the direction of the Auditor and such other auditor shall report to the Auditor.

9.(3) Where the accounts of a Crown controlled corporation are audited other than by the Auditor, the person or persons performing the audit,

(a) shall deliver to the Auditor forthwith after completion of the audit a copy of their report of their findings and their recommendations to the management and a copy of the audited financial statements of the corporation;

(b) shall make available forthwith to the Auditor, when so requested by the Auditor, all working papers, reports, schedules and other documents in respect of the audit or in respect of any other audit of the corporation specified in the request;

(c) shall provide forthwith to the Auditor, when so requested by the Auditor, a full explanation of work performed, tests and examinations made and the results obtained, and any other information within the knowledge of such person or persons in respect of the corporation.

9.(4) Where the Auditor is of the opinion that any information, explanation or document that is provided, made available or delivered to him by the auditor or auditors referred to in subsection (2) or (3) is insufficient, the Auditor may conduct or cause to be conducted such additional examination and investigation of the records and operations of the agency or corporation as the Auditor considers necessary.

SUBMISSION OF ANNUAL AND SPECIAL REPORTS

12.(1) The Auditor shall report annually to the Speaker of the Assembly after each fiscal year is closed and the Public Accounts are laid

before the Assembly, but not later than the 31st day of December in each year unless the Public Accounts are not laid before the Assembly by that day, and may make a special report to the Speaker at any time on any matter that in the opinion of the Auditor should not be deferred until the annual report, and the Speaker shall lay each such report before the Assembly forthwith if it is in session or, if not, not later than the tenth day of the next session.

CONTENT OF ANNUAL REPORT

12.(2) In his annual report in respect of each fiscal year, the Auditor shall report on,

(a) the work of the Office of the Auditor, and on whether in carrying on the work of the Office the Auditor received all the information and explanations required;

(b) the examination of accounts of receipts and disbursements of public money;

(c) the examination of the statements of Assets and Liabilities, the Consolidated Revenue Fund and Revenue and Expenditure as reported in the Public Accounts, and shall express an opinion as to whether the statements present fairly the financial position of the Province, the results of its operations and the changes in its financial position in accordance with the accounting principles stated in the Public Accounts applied on a basis consistent with that of the preceding fiscal year together with any reservations the Auditor may have;

(d) all special warrants issued to authorize payments, stating the date of each special warrant, the amount authorized and the amount expended;

(e) all orders of the Management Board of Cabinet made to authorize payments in excess of appropriations, stating the date of each order, the amount authorized and the amount expended;

(f) such matters as, in the opinion of the Auditor, should be brought to the attention of the Assembly including, without limiting the generality of the foregoing, any matters related to the audit of agencies of the Crown or Crown controlled corporations or any cases where the Auditor has observed that,

(i) accounts were not properly kept or public money was not fully accounted for,

(ii) essential records were not maintained or the rules and procedures applied were not sufficient to safeguard and control public property or to effectively check the assessment, collection and proper allocation of revenue or to ensure that expenditures were made only as authorized,

(iii) money was expended other than for the purposes for which it was appropriated,

(iv) money was expended without due regard to economy and efficiency, or

(v) where procedures could be used to measure and report on the effectiveness of programs, the procedures were not established or, in the opinion of the Auditor, the established procedures were not satisfactory.

INSPECTION AUDITS

13.(1) The Auditor may perform an inspection audit in respect of a payment in the form of a grant from the Consolidated Revenue Fund or an agency of the Crown and may require a recipient of such a payment to prepare and to submit to the Auditor a financial statement that sets out the details of the disposition of the payment by the recipient.

ASSISTANCE TO STANDING PUBLIC ACCOUNTS COMMITTEE

16. At the request of the Standing Public Accounts Committee of the Assembly, the Auditor and any member of the Office of the Auditor designated by the Auditor shall attend at the meetings of the committee in order,

(a) to assist the committee in planning the agenda for review by the committee of the Public Accounts and the annual report of the Auditor; and

(b) to assist the committee during its review of the Public Accounts and the annual report of the Auditor,

and the Auditor shall examine into and report on any matter referred to him in respect of the Public Accounts by a resolution of the committee.

SPECIAL ASSIGNMENTS

17. The Auditor shall perform such special assignments as may be required by the Assembly, the Standing Public Accounts Committee of the Assembly, by resolution of the committee, or by a minister of the Crown in right of Ontario but such special assignments shall not

take precedence over the other duties of the Auditor under this Act and the Auditor may decline an assignment by a minister of the Crown that, in the opinion of the Auditor, might conflict with the other duties of the Auditor.

EXHIBIT 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Accounting Basis

The financial statements, prepared using the concept of a Consolidated Revenue Fund, have been designed primarily to provide an accounting of the financial resources appropriated by the Ontario Legislature. The policies and practices followed by the Province, under which the financial transactions of government ministries are recorded and displayed as Consolidated Revenue Fund cash inflows and outflows, best accommodates reporting to the Legislature.

The cash basis of accounting used by the Province is modified to allow for an additional thirty days to pay for debts incurred during the fiscal year just ended. Cash inflows, on the other hand, are closed at March 31 for cash received or in transit. With respect to provincial crown corporations, agencies, boards and commissions, the financial statements of the Consolidated Revenue Fund reflect only the extent to which their operations have been financed or have contributed to the Fund for the year.

The accounting of the Province's transactions are recorded under three categories: Budgetary transactions, Non-budgetary transactions and Financing transactions.

Budgetary Transactions

Budgetary Transactions are operational activities of the Government.

Revenue

Includes revenue raised through taxation, premiums, fees, licences and permits, payments from the Federal Government under fiscal arrangements and shared-cost programs, and income from investments.

Expenditures

Expenditures on government programs include payments for goods and services, interest on the public debt, salaries, transfer payments to individuals, municipalities and institutions, subsidies and grants, and the acquisition and creation of fixed assets.

Non-Budgetary Transactions

Non-budgetary transactions are the lending, investment and trust administration activities of the Government, including loans, advances and investments, pension and related adjustment funds and other trust and special purpose accounts. These transactions affect only asset and liability accounts.

Loans, Advances and Investments

This category includes the government lending and investment activity in various crown corporations, agencies and municipalities. All of these loans and advances are repayable or represent equity holdings supported by the assets of the corporations.

Pension and Related Adjustment Funds

Pension and related adjustment funds consist of all employee and employer contributions and interest earnings of the Public Service Superannuation Fund, the Superannuation Adjustment Fund and the Legislative Assembly Retirement Allowances Account and payments made from these funds.

Trust and Special Purpose Accounts

Trust and special purpose accounts arise from the Province's trust administration activity for both government ministries and the private sector.

Financing Transactions

Financing transactions are the borrowing and repayment activities of the Government, and are of two types.

Debt transactions

Debt transactions are the borrowing and repayment transactions which include obligations issued for both non-public and public sources of funds.

Ontario Hydro transactions

Ontario Hydro transactions relate to amounts borrowed by the Province on behalf of Ontario Hydro. The Province issues securities, and advances the proceeds to Ontario Hydro in exchange for bonds with like terms and conditions. Since these transactions and the ensuing retirement and debt servicing costs, are the result of a financing alternative and are not a part of the Province's own budget plan, they are classified separately.

Assets and Liabilities

The assets and liabilities reported in the financial statements are financial claims which have been created by cash transactions. The assets are claims by the Consolidated Revenue Fund on other parties. As indicated in the Notes to the financial statements, under current government policy, the funds required to repay some of the advances and loans included as assets are effectively provided out of future provincial expenditure appropriations. The liabilities are claims by other parties on the Consolidated Revenue Fund. Since expenditures on fixed assets do not represent financial claims on other parties and are not considered to differ from any other service to the public, they are not reported as assets but are expensed as budgetary items in the year of acquisition.

Debentures, notes and treasury bills are recorded as liabilities at the face value of the debt instrument. Discount, premium and commission expenses are treated as current year budgetary transactions. The general resources of the Province are used for the continued orderly retirement of debt and no sinking funds are maintained for this purpose.

The contingent liabilities of the Province consist of guarantees by the Treasurer of Ontario and material claims against the Crown. Other significant commitments and liabilities are disclosed in Notes to the financial statements.

The net debt of the Province is the excess of liabilities over financial assets, representing the accumulation of all budgetary deficits and surpluses since Confederation. The year-to-year change in net debt is the amount by which budgetary revenues exceed or are less than budgetary expenditures.

STATEMENT OF CONSOLIDATED REVENUE FUND TRANSACTIONS

for the year ended March 31, 1984
($ millions)

	Budget 1984		Actual 1984		Actual 1983	
Budgetary Transactions						
Revenue	20,890		21,313		19,322	
Expenditure	24,288		24,553		22,509	
Budgetary deficit		3,398		3,240		3,187
Non-Budgetary Transactions (net)						
Loans, Advances and Investments	95		273		160	
Pension and Related Adjustment Funds	557		562		534	
Trust and Special Purpose Accounts	51		116		15	
Non-budgetary surplus		703		951		709
Net Cash Requirements		2,695		2,289		2,478
Financing						
Debt Transactions						
Proceeds of loans net of retirements		2,813		2,860		2,051
Ontario Hydro Transactions						
Proceeds of loans net of retirements			172		380	
Related advances, interest and recoveries			(172)		(380)	
(Increase) decrease in cash and temporary investments		(118)		(571)		427
Total financing		2,695		2,289		2,478

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF BUDGETARY REVENUE

For the year ended March 31, 1984
($ millions)

	Budget 1984	Actual 1984	Actual 1983
Taxation			
Personal Income Tax	6,045	5,994	5,858
Retail Sales Tax	3,881	3,876	3,420
Corporations Tax	1,658	1,583	1,361
Gasoline Tax	880	932	848
Tobacco Tax	533	542	448
Fuel Tax	193	212	184
Land Transfer Tax	130	132	100
Race Tracks Tax	70	62	65
Mining Profits Tax	35	33	27
Succession Duty	12	6	11
Public Utilities Income Tax	(10)	(13)	(14)
Other	5	4	4
	13,432	13,363	12,312
Other Revenue			
Premiums — Ontario Health Insurance Plan	1,474	1,479	1,365
Profits from Crown Corporations and Boards			
Liquor Control Board of Ontario	550	520	533
Ontario Lottery Corporation	114	118	117
Vehicle registration fees	270	287	280
Liquor Licence Board of Ontario revenues	230	236	210
Other fees and licences	200	215	195
Fines and Penalties	75	103	76
Utility Service Charges	70	97	84
Royalties	75	83	73
Sales and Rentals	65	56	62
Other	112	141	122
	3,235	3,335	3,117
Government of Canada			
Established Programs Financing			
Cash Contribution	2,293	2,548	1,894
Extended Health Care Services	316	333	288
Canada Assistance Plan	795	862	774
National Training Agreement	166	157	152
Other	258	261	237
	3,828	4,161	3,345
Interest on Loans, Advances and Investments	395	454	548
Total Budgetary Revenue	20,890	21,313	19,322

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF BUDGETARY EXPENDITURE

for the year ended March 31, 1984
($ millions)

	Budget 1984	Actual 1984	Actual 1983
Social Development Policy Field			
Health	7,512	7,582	6,731
Education	3,436	3,434	3,161
Community and Social Services	2,261	2,402	2,124
Colleges and Universities	2,045	2,035	1,884
Citizenship and Culture	194	205	189
Social Development Policy	12	13	5
	15,460	15,671	14,094
Resources Development Policy Field			
Transportation and Communications	1,476	1,541	1,446
Municipal Affairs and Housing	1,062	1,024	1,025
Natural Resources	393	408	374
Agriculture and Food	265	264	282
Environment	244	254	267
Tourism and Recreation	111	110	117
Energy	98	91	102
Industry and Trade	75	76	148
Labour	71	73	68
Resources Development Policy	3	3	3
	3,798	3,844	3,832
Justice Policy Field			
Solicitor General	294	291	281
Attorney General	239	261	237
Correctional Services	219	226	206
Consumer and Commercial Relations	102	131	106
Justice Policy	1	1	1
	855	910	831
General Government			
Revenue	630	620	612
Treasury and Economics	432	381	401
Government Services	373	367	384
Northern Affairs	158	157	180
Office of The Assembly	31	35	32
Management Board of Cabinet	17	14	13
Intergovernmental Affairs	7	7	7
Other	13	13	13
	1,661	1,594	1,642
Public Debt — interest	2,610	2,534	2,110
Contingency Fund (Note 10)	204		
Constraints (Note 10)	(300)		
Total Budgetary Expenditure	24,288	24,553	22,509

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF NON-BUDGETARY TRANSACTIONS

for the year ended March 31, 1984
($ millions)

	Budget 1984	Actual 1984	Actual 1983
Loans, Advances and Investments			
Repayments by:			
Corporations, boards and commissions			
Crop Insurance Commission of Ontario		11	
Development Corporations	22	55	25
Ontario Education Capital Aid Corporation	92	92	87
Ontario Land Corporation	29	75	67
Ontario Northland Transportation Commission		15	
Ontario Universities Capital Aid Corporation	34	34	32
Other	8	13	11
Municipalities	43	43	34
Water treatment and waste control facilities	47	94	68
Other loans and investments	16	17	17
	291	449	341
Payments to:			
Corporations, boards and commissions			
Board of Industrial Leadership and Development (BILD)	15	17	13
Crop Insurance Commission of Ontario			16
Development Corporations	30	27	14
Ontario Energy Corporation	39	29	11
Ontario Housing Corporation	4	4	4
Ontario Land Corporation	5	6	11
Ontario Municipal Improvement Corporation	4		6
Other			1
Municipalities	30	24	33
Water treatment and waste control facilities	69	68	72
Other loans and investments		1	
	196	176	181
Net Decrease in Loans, Advances and Investments	95	273	160
Pension and Related Adjustment Funds			
Deposits to:			
Public Service Superannuation Fund	535	513	485
Superannuation Adjustment Fund	210	219	190
Legislative Assembly Retirement Allowances Account	1	4	4
	746	736	679
Payments from:			
Public Service Superannuation Fund	135	124	109
Superannuation Adjustment Fund	53	49	35
Legislative Assembly Retirement Allowances Account	1	1	1
	189	174	145
Net Increase in Pension and Related Adjustment Funds	557	562	534

STATEMENT OF NON-BUDGETARY TRANSACTIONS (cont'd)

for the year ended March 31, 1984
($ millions)

	Budget 1984	Actual 1984	Actual 1983
Trust and Special Purpose Accounts			
Deposits to:			
Province of Ontario Savings Office — net increase	25	13	20
Interprovincial Lotteries Trust Fund	42	99	45
Motor Vehicle Accident Claims Fund		10	9
Other	21	27	17
	88	149	91
Payments from:			
Interprovincial Lotteries Trust Fund	17	12	47
Motor Vehicle Accident Claims Fund	17	14	17
Other	3	7	12
	37	33	76
Net Increase in Trust and Special Purpose Accounts	51	116	15
Total Non-Budgetary Transactions	703	951	709

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF DEBT TRANSACTIONS

for the year ended March 31, 1984
($ millions)

	Budget 1984	Actual 1984	Actual 1983
Proceeds of Loans			
Non-public			
Canada Pension Plan Investment Fund	1,240	1,201	1,236
Teachers' Superannuation Fund	850	786	945
Public			
Debentures and notes	500	500	
Treasury bills (net)	500	650	
Total Proceeds of Loans	3,090	3,137	2,181
Retirements of Loans			
Non-public	10	10	84
Public			
Debentures and notes	267	267	46
Total Retirements of Loans	277	277	130
Debt Transactions (net)	2,813	2,860	2,051

STATEMENT OF ONTARIO HYDRO TRANSACTIONS

for the year ended March 31, 1984
($ millions)

	1984	1983
Proceeds of loans (public)	300	600
Retirements of loans (public)	(128)	(220)
Net increase in loans for Ontario Hydro purposes	172	380
Related advances, interest and recoveries		
Advances to Ontario Hydro	300	600
Interest	672	617
Recovery of interest and loan retirements	(800)	(837)
Related advances, interest and recoveries (net)	172	380

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

STATEMENT OF FINANCIAL POSITION

as at March 31, 1984
($ millions)

	1984	1983
Assets		
Cash and temporary investments (Note 1)	1,738	1,167
Advances to Ontario Hydro, secured by bonds (Note 2)	6,082	5,910
Advances and investments — other corporations, boards and commissions (Note 3)	3,992	4,203
Investments in water treatment and waste control facilities (at cost less recoveries) (Note 4)	1,093	1,119
Loans to municipalities	348	368
Other loans and investments (Note 5)	161	177
Total financial assets	13,414	12,944
Net debt	20,182	16,942
	33,596	29,886
Liabilities		
Deposits with the Province of Ontario Savings Office	687	674
Pension and related adjustment funds (Note 6)	4,093	3,531
Trust and special purpose accounts	231	128
Treasury bills	650	
Debentures and notes (Note 7)	27,935	25,553
	33,596	29,886
Contingent liabilities (Note 8)	12,358	10,823

See accompanying Summary of Significant Accounting Policies and Notes to the Financial Statements.

Approved on behalf of the Ministry of Treasury and Economics:

T. CAMPBELL, Deputy Treasurer of Ontario and Deputy Minister of Economics

D.S. McCOLL, Assistant Deputy Minister, Office of the Treasury

NOTES TO THE FINANCIAL STATEMENTS

(all figures in millions of dollars)

1. Cash and Temporary Investments

Temporary investments consist mainly of short-term securities issued or guaranteed by Canadian chartered banks and are recorded at cost. Also included are $36 million (1983 $55 million) of debentures and bonds issued or guaranteed by the Province, which at March 31, 1984 had a market value of $28 million (1983 $50 million).

2. Advances to Ontario Hydro

The Province has advanced funds to Ontario Hydro, secured by bonds with like terms and conditions to the securities issued by the Province on behalf of Ontario Hydro. The bonds consist of $5,082 million (1983 $4,910 million) in U.S. dollars, recorded at par, and $1,000 million (1983 $1,000 million) in Canadian dollars with respect to Canada Pension Plan funds. At March 31, 1984, the Canadian dollar equivalent of the U.S. dollar bonds was $6,487 million (1983 $6,058 million).

3. Advances and Investments — Other Corporations, Boards and Commissions

	1984	1983
Ontario Universities Capital Aid Corporation	$1,048	$1,082
Ontario Land Corporation	943	1,012
Ontario Education Capital Aid Corporation	934	1,026
Ontario Energy Corporation	379	351
Development Corporations	263	274
Ontario Housing Corporation	191	192
Other	234	266
	$3,992	$4,203

The Ontario Universities Capital Aid Corporation received advances from the Province until March 31, 1978 to purchase bonds or debentures issued by provincial universities, colleges, the Art Gallery of Ontario, the Royal Ontario Museum and municipalities on behalf of public libraries for approved capital construction projects. The securities held by the Corporation are the obligations of the issuing institutions. Effective April 1, 1978 the loan program was replaced by grants from the Province to the institutions. During the fiscal year ending March 31, 1984, $111 million (1983 $111 million) was included in these grants from the Province to cover the amounts of principal and interest due to the Corporation from institutions other than municipalities. The Corporation has continued to administer the repayment of outstanding loans.

The Ontario Land Corporation has received advances from the Province for the acquisition and development of land and for the financing of mortgages and loans. Of the total advances outstanding, $398 million (1983 $398 million) is non-interest bearing and has been used to finance land holdings.

The Ontario Education Capital Aid Corporation received advances from the Province until March 31, 1980 to purchase bonds or debentures issued by school boards for capital expansion programs. The securities held by the Corporation are the obligations of the individual school boards. Effective April 1, 1980 the loan program was replaced by direct grants from the Province to the school boards. Under the support arrangements for the repayment of these advances, the Province has given grants, currently averaging 75% of the approved debt charges, to local school boards. The Corporation has continued to administer the repayments of outstanding loans.

The Ontario Energy Corporation was established to invest and participate in energy related projects. The Province has made loans to and investments in the Corporation, including a $325 million non-interest bearing demand loan advanced in 1981 to finance one-half of the

purchase price for 25% of the common shares of Suncor Inc. by Ontario Energy Resources Limited, a wholly owned subsidiary of the Ontario Energy Corporation.

The Ontario Development Corporation and the associated Eastern Ontario Development Corporation and Northern Ontario Development Corporation provide loans and arrange for provincial guarantees of bank loans to qualified enterprises. The Province has an equity investment of $7 million in the corporations and has advanced all funding for their lending programs. Through its budgetary expenditures, the Province also transfers to the Corporations an amount to defray the costs of: all administrative expenses, loans made at low interest rates, certain loan forgiveness, honouring guarantees, and loan and loss write-offs. In 1984 these transfers amounted to $27 million (1983 $31 million).

The Ontario Housing Corporation plans, constructs and manages residential housing projects. Financing is provided by the Province and the Canada Mortgage and Housing Corporation.

4. Investments in Water Treatment and Waste Control Facilities

The Ministry of the Environment lets extensive contracts for the building of water and sewage systems to serve municipalities. These investments are being recovered over the life of the agreements with the municipalities. Agreements covering $1,004 million of the investment are for provincially-owned projects which are subject to service rate billings. The proceeds from billings are used to amortize the investment over periods of up to forty years, to pay for operating costs and to provide a return on the investment. Certain other agreements provide for the accumulation of the principal portion of annual amortization payments in a sinking fund. The accumulated balance in these funds, which are included in trust and special purpose accounts was $53 million at March 31, 1984 (1983 $52 million). Since 1978-79, the Province has changed its policy and is phasing out investments in favour of assisting municipalities by direct grants.

5. Other Loans and Investments

Included in other loans and investments are Ministry of Health capital construction loans to public hospitals amounting to $148 million (1983 $164 million). During the current fiscal year, the Province made grants of $11 million (1983 $14 million) to assist public hospitals in meeting principal and interest payments. No new loans have been made since 1978 when the Ministry changed its public hospitals capital financial support program from loans to grants.

6. Pension and Related Adjustment Funds

The Province maintains accounts within the Consolidated Revenue Fund for all contributions and interest earnings less payments for the Public Service Superannuation Fund, the Superannuation Adjustment Fund and the Legislative Assembly Retirement Allowances Account. The amounts recorded by the Province are essentially the sole assets of these plans.

Based on the latest actuarial report as at December 31, 1982, the Public Service Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of $83 million, upon which an interest contribution of $7 million is required to be credited annually in accordance with the Pension Benefits Act.
2. Residual unfunded liabilities of $38 million which are required to be amortized by annual payments of $7 million until January 1, 1992.

As at March 31, 1984, the Province had made all scheduled payments.

An actuarial review of the Legislative Assembly Retirement Allowances Account as at March 31, 1984 revealed a surplus of $777 thousand.

	1984	1983
Public Service Superannuation Fund	$3,152	$2,764
Superannuation Adjustment Fund	915	744
Legislative Assembly Retirement Allowances Account	26	23
	$4,093	$3,531

7. Debentures and Notes

Years of Maturity March 31	1984 Payable in Canadian Dollars	United States Dollars	Deutsche Marks	Total	1983 Total
1984	$	$	$	$	$ 194
1985	103		3	106	106
1986	212	100	3	315	315
1987	343		3	346	346
1988	773	200	3	976	976
1989	919			919	
1-5 years	2,350	300	12	2,662	1,937
6-10 years	3,382	835		4,217	3,499
11-15 years	5,780	260		6,040	5,417
16-20 years	9,512	597		10,109	9,348
21-25 years	1,670	1,996		3,666	3,495
26-30 years	66	1,094		1,160	1,761
31-35 years	71			71	74
36-40 years	10			10	22
	$22,841	$5,082	$12	$27,935	$25,553

The U.S. dollar debenture liability of $5,082 million (1983 $4,927 million) is recorded at par with the Canadian dollar and has been incurred on behalf of Ontario Hydro. At March 31, 1984 the Canadian dollar equivalent was $6,487 million (1983 $6,080 million). As explained in note 2, the Province holds an offsetting asset of Ontario Hydro bonds with like terms and conditions to the securities issued by the Province.

The Province has borrowings of 40 million (1983 65 million) Deutsche Marks recorded at $12 million (1983 $19 million), the Canadian dollar equivalent at the time of issue. At March 31, 1984 the Canadian dollar equivalent was $20 million (1983 $33 million).

8. Contingent Liabilities

Obligations guaranteed by the Province:

	1984	1983
Debentures, bonds and notes		
Ontario Hydro	$11,692	$10,238
Other Provincial crown agencies	5	5
	11,697	10,243
Bank loans guaranteed		
Corporations and individuals through various government programs	209	220
Other guarantees		
Corporations	452	360
	$12,358	$10,823

Claims against the Crown:
Claims over $50 million arising from legal action either in progress or threatened against the Crown in respect of breach of contract, damages to persons and property and like items totalled $285 million. The amounts have been estimated and because the outcome of these actions is uncertain, the likely cost to the Province, if any, cannot be determined.

9. Teachers' Superannuation Fund

Through budgetary expenditures, the Province makes annual payments matching teachers' contributions to the Teachers' Superannuation Fund. Further, the Province is committed to paying any deficiency in the Fund. The Fund is administered by the Teachers' Superannuation Commission. Based on the latest actuarial report as at December 31, 1981, the Teachers' Superannuation Fund had unfunded liabilities as follows:

1. An initial unfunded liability of $328 million upon which an interest contribution of $23 million is required to be credited annually in accordance with the Pension Benefits Act.

2. Residual unfunded liabilities of $105 million which are required to be amortized by annual payments of $16 million until December 31, 1990.

As at March 31, 1984 the Province had made all scheduled payments.

10. Budget Figures

The comparative budget figures in the financial statements are from the 1983 Ontario Budget which was presented by the Treasurer of Ontario to the Legislative Assembly on May 10, 1983.

The Contingency Fund budget figure in the Statement of Budgetary Expenditure represents a provision for the cost of salary and employee benefit revisions likely to be approved in the fiscal year. These revisions when paid, however, are charged to each ministry's appropriations.

The Constraint budget figure in the Statement of Budgetary Expenditure represents in-year expenditure savings which were specifically identified and allocated to individual ministries during the year.

11. Comparative Figures

The 1983 comparative figures have been reclassified where necessary to conform with the 1984 financial statement presentation.

Comparative figures have not been reported for Contingent Liabilities — Claims against the Crown, since the information is not available in this first year of reporting such items.

PROVINCIAL AUDITOR'S OPINION

I have examined the statement of financial position of the Province of Ontario as at March 31, 1984 and the statements of consolidated revenue fund transactions, budgetary revenue, budgetary expenditure, non-budgetary transactions, debt transactions and Ontario Hydro transactions for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Province as at March 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with the stated accounting policies set out in the Summary of Significant Accounting Policies on page 1-2 of Volume 1 of the Public Accounts, which have been applied on a basis consistent with that of the preceding year.

In accordance with section 12 of the Audit Act, a report will be made to the Speaker of the Legislative Assembly.

D.F. Archer, F.C.A.,
Provincial Auditor.

Toronto, August 31, 1984

EXHIBIT 3

MANAGEMENT BOARD ORDERS

Amounts Authorized and Expended Thereunder Year Ended March 31, 1984

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Agriculture and Food		
	Ministry Administration Program		
Jan. 31, 1984	Main Office	114,600	114,600
Feb. 14, 1984	Main Office	100,000	100,000
Mar. 20, 1984	Main Office	137,000	134,326
Jan. 31, 1984	Financial and Office Services	142,600	142,600
Feb. 14, 1984	Financial and Office Services	420,000	420,000
Mar. 20, 1984	Financial and Office Services	251,000	150,492
Jan. 31, 1984	Personnel Services	19,900	19,900
Mar. 20, 1984	Personnel Services	72,000	67,807
Jan. 31, 1984	Information Services	75,100	75,100
Feb. 14, 1984	Information Services	125,000	125,000
Mar. 20, 1984	Information Services	121,000	121,000
Apr. 10, 1984	Information Services	100,000	99,667
Jan. 31, 1984	Analysis and Planning	103,200	103,200
Feb. 14, 1984	Analysis and Planning	600,000	600,000
Mar. 20, 1984	Analysis and Planning	315,500	288,824
Jan. 31, 1984	Legal Services	19,600	6,991
Jan. 31, 1984	Audit Services	5,800	40
Jan. 10, 1984	Experience '83	309,700	296,495
	Agricultural Marketing and Development Program		
Dec. 20, 1983	Marketing and Sector Support Payments	365,000	365,000
Jan. 10, 1984	Marketing and Sector Support Payments	1,635,000	1,635,000
Jan. 31, 1984	Marketing and Sector Support Payments	122,700	122,700
Feb. 14, 1984	Marketing and Sector Support Payments	644,000	413,763
Mar. 20, 1984	Marketing and Sector Support Payments	163,300	—
Jan. 31, 1984	Quality Standards	590,500	409,850
Jan. 31, 1984	Land Preservation and Improvement	118,800	—
	Agricultural Technology and Field Services Program		
Jan. 31, 1984	Colleges of Agricultural Technology — Education and Research	575,200	399,164
Mar. 20, 1984	Colleges of Agricultural Technology — Education and Research	61,000	—
Jan. 31, 1984	Ontario Agricultural Museum and Other Education	225,600	225,600
Mar. 20, 1984	Ontario Agricultural Museum and Other Education	66,000	53,333
Jan. 31, 1984	Horticultural Research Institute of Ontario, Other Research and Energy Programs	216,900	—
Feb. 14, 1984	Horticultural Research Institute of Ontario, Other Research and Energy Programs	150,000	—

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Agriculture and Food (cont'd)		
Jan. 31, 1984	Advisory Services	1,017,400	1,017,400
Feb. 14, 1984	Advisory Services	1,425,000	1,425,000
Mar. 20, 1984	Advisory Services	421,800	421,800
Apr. 10, 1984	Advisory Services	195,000	187,129
Feb. 14, 1984	Support to Rural and Farm Organizations	225,000	—
	Financial Assistance to Agriculture Program		
Jan. 31, 1984	Financial Assistance Policy	100,700	100,700
Feb. 14, 1984	Financial Assistance Policy	471,000	471,000
Mar. 20, 1984	Financial Assistance Policy	145,300	144,254
		11,967,200	10,257,735
	Ministry of the Attorney General		
	Law Officer of the Crown Program		
Mar. 20, 1984	Attorney General	95,000	94,962
Mar. 20, 1984	Deputy Attorney General	64,000	56,611
Aug. 16, 1984	Royal Commissions	1,857,000	832,132
	Administrative Services Program		
Mar. 20, 1984	Information Services	175,000	170,463
Mar. 20, 1984	Analysis and Planning	94,000	82,227
Mar. 20, 1984	Experience '83	29,000	28,869
	Guardian and Trustee Services Program		
Mar. 20, 1984	Official Guardian	200,000	138,590
Mar. 20, 1984	Public Trustee	180,000	179,917
	Crown Legal Services Program		
Mar. 20, 1984	Criminal Law Division	570,000	569,209
Mar. 20, 1984	Civil Law Division	185,000	145,150
	Courts Administration Program		
Mar. 20, 1984	Supreme Court of Ontario	642,000	585,314
Mar. 20, 1984	County and District Courts	350,000	251,854
Mar. 20, 1984	Small Claims Courts	507,000	507,000
Apr. 10, 1984	Small Claims Courts	100,000	91,162
Mar. 20, 1984	Provincial Courts	2,950,000	2,793,160
Apr. 10, 1984	Provincial Courts	233,000	—
	Administrative Tribunals Program		
Mar. 20, 1984	Assessment Review Court	55,000	—
Mar. 20, 1984	Criminal Injuries Compensation Board	210,000	210,000
Apr. 10, 1984	Criminal Injuries Compensation Board	100,000	36,363
		8,596,000	6,772,983
	Ministry of Citizenship and Culture		
	Ministry Administration Program		
Dec. 13, 1983	Legal Services	79,700	75,947
Feb. 21, 1984	Regional Services	525,700	509,883
Feb. 21, 1984	Experience '83	272,900	188,416

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Citizenship and Culture (cont'd)		
	Heritage Conservation Program		
Mar. 5, 1984	Archives	168,900	168,900
Apr. 10, 1984	Archives	9,000	7,075
Apr. 10, 1984	Heritage Administration	168,700	129,919
	Arts Support Program		
Mar. 27, 1984	Cultural Development and Institutions	3,469,800	3,455,841
Mar. 27, 1984	Ontario Science Centre	548,400	515,428
	Ministry Capital Support Program		
Apr. 10, 1984	Capital Support	6,087,500	6,006,525
		11,330,600	11,057,934
	Ministry of Community and Social Services		
	Ministry Administration Program		
Mar. 20, 1984	Financial Services	8,700	—
Mar. 5, 1984	Supply and Office Services	289,600	289,600
Mar. 20, 1984	Supply and Office Services	96,900	75,138
Mar. 20, 1984	Information Services	53,100	21,651
Apr. 10, 1984	Audit Services	8,000	—
Feb. 28, 1984	Social Assistance Review Board	172,000	172,000
Mar. 20, 1984	Social Assistance Review Board	36,900	36,900
Apr. 10, 1984	Social Assistance Review Board	10,000	9,985
	Adults' and Children's Services Program		
Mar. 20, 1984	Program Administration	445,500	313,014
Mar. 20, 1984	Field Administration	124,700	124,700
Mar. 27, 1984	Field Administration	43,700	16,489
Mar. 20, 1984	Income Maintenance	1,327,500	1,327,500
Mar. 27, 1984	Income Maintenance	5,693,400	5,334,673
Mar. 20, 1984	Adults' Social Services	521,600	521,600
Mar. 27, 1984	Adults' Social Services	8,250,900	6,728,590
Apr. 10, 1984	Adults' Social Services	30,000	—
Apr. 17, 1984	Children's Social Services	1,415,000	—
Mar. 20, 1984	Developmental Services — Adults and Children	3,805,100	3,805,100
Mar. 27, 1984	Developmental Services — Adults and Children	3,960,700	3,414,950
Apr. 10, 1984	Developmental Services — Adults and Children	900,000	—
		27,193,300	22,191,890
	Ministry of Consumer and Commercial Relations		
	Ministry Administration Program		
Mar. 20, 1984	Financial Services	170,200	161,578
Mar. 20, 1984	Supplies and Office Services	95,900	52,008

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Consumer and Commercial Relations (cont'd)		
Mar. 20, 1984	Personnel Services	165,300	154,994
Mar. 20, 1984	Information Services	40,800	38,045
Mar. 20, 1984	Analysis and Planning	130,100	127,126
	Commercial Standards Program		
Jan. 17, 1984	Securities	1,150,000	804,859
Mar. 5, 1984	Securities	963,000	963,000
Mar. 20, 1984	Securities	200,100	41,821
June 28, 1983	Financial Institutions	6,190,500	6,190,500
Jan. 17, 1984	Financial Institutions	2,500,000	2,500,000
Feb. 14, 1984	Financial Institutions	4,860,000	4,860,000
Feb. 28, 1984	Financial Institutions	1,400,000	1,400,000
Mar. 20, 1984	Financial Institutions	173,000	173,000
Apr. 17, 1984	Financial Institutions	3,841,000	1,413,455
Mar. 20, 1984	Companies	88,500	88,427
Mar. 5, 1984	Business Practices	490,000	490,000
Mar. 20, 1984	Business Practices	242,000	223,913
	Technical Standards Program		
Mar. 20, 1984	Program Administration	100,200	96,600
Mar. 20, 1984	Pressure Vessels Safety	205,600	201,086
Mar. 20, 1984	Elevating Devices	184,600	183,938
Mar. 20, 1984	Fuels Safety	336,400	306,233
Mar. 20, 1984	Upholstered and Stuffed Articles	7,800	6,785
	Public Entertainment Standards Program		
Feb. 14, 1984	Regulation of Horse Racing	231,000	214,366
Mar. 20, 1984	Regulation of Horse Racing	9,900	—
Mar. 20, 1984	Theatres, Lotteries and Athletics Commissioner	41,400	33,686
	Property Rights Program		
Mar. 20, 1984	Program Administration	76,000	75,947
Mar. 20, 1984	Real Property Registration	1,362,000	1,351,137
Mar. 20, 1984	Legal and Survey Standards	32,100	32,042
Mar. 20, 1984	Personal Property Registration	417,000	362,621
	Liquor Licence Program		
Mar. 5, 1984	Liquor Licence Board of Ontario	1,045,500	1,045,500
Mar. 20, 1984	Liquor Licence Board of Ontario	192,500	82,290
		26,942,400	23,674,957
	Ministry of Correctional Services		
	Ministry Administration Program		
Mar. 5, 1984	Financial Services	87,900	57,104
Mar. 5, 1984	Supply and Office Services	156,500	123,503
Mar. 5, 1984	Personnel Services	47,300	24,717
Feb. 14, 1984	Information Services	71,200	58,316
Mar. 5, 1984	Audit Services	14,500	13,423
	Institutional Program		
Mar. 5, 1984	Care, Treatment and Training	7,239,500	7,215,678

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Correctional Services (cont'd)		
Mar. 5, 1984	Institutional Program Support Services	35,100	32,194
Mar. 5, 1984	Institutional Staff Training	76,100	26,070
	Community Program		
Mar. 5, 1984	Program Administration	20,500	15,621
Mar. 5, 1984	Ontario Board of Parole Services	255,300	254,497
Mar. 5, 1984	Community Resource Centre Services	75,300	73,776
		8,079,200	7,894,899
	Ministry of Education		
	Ministry Administration Program		
Feb. 28, 1984	Main Office	238,900	87,570
Feb. 21, 1984	Personnel Services	702,800	702,800
Apr. 10, 1984	Personnel Services	250,000	243,099
Apr. 3, 1984	Analysis and Planning	33,300	32,039
Apr. 3, 1984	Legal Services	6,600	6,587
	Education Program		
Mar. 20, 1984	Schools for the Blind and Deaf	1,170,800	1,170,638
Feb. 21, 1984	Schools for the Learning Disabled	74,000	73,291
Feb. 21, 1984	Regional Offices	601,400	415,784
Feb. 21, 1984	Senior and Continuing Education	508,700	508,665
Feb. 21, 1984	Special Education	52,600	—
		3,639,100	3,240,473
	Ministry of Energy		
	Ministry Administration Program		
Mar. 5, 1984	Main Office	19,500	19,207
Mar. 5, 1984	Administrative Services	359,000	309,857
Oct. 25, 1983	Experience '83	60,000	40,583
	Conventional Energy Program		
Mar. 20, 1984	Program Development	58,500	52,673
	Regulatory Affairs Program		
Mar. 5, 1984	Natural Gas Regulation	123,000	72,511
		620,000	494,831
	Ministry of the Environment		
	Ministry Administration Program		
Feb. 28, 1984	Main Office	166,500	148,909
Apr. 3, 1984	Financial Services	5,000	3,583
Apr. 3, 1984	Supply and Office Services	163,400	20,897
Apr. 3, 1984	Information Services	43,000	42,652
Apr. 3, 1984	Audit Services	31,800	26,414

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Environment (cont'd)		
Apr. 3, 1984	Systems Development Services	4,400	2,115
	Environmental Planning Program		
Mar. 5, 1984	Program Administration	13,600	8,843
Apr. 3, 1984	Water Resources	694,600	499,793
Apr. 3, 1984	Laboratory Services and Applied Research	553,200	551,149
	Environmental Control Program		
Apr. 3, 1984	Program Administration	165,300	164,092
Apr. 3, 1984	Hearing Panel on Industrial Waste Management	6,600	—
Mar. 5, 1984	Compliance	1,663,000	1,360,012
Mar. 5, 1984	Environmental Approvals and Technical Support	1,609,100	1,282,893
	Utility Planning and Operations Program		
Apr. 10, 1984	Project Engineering	12,766,700	10,127,815
Mar. 5, 1984	Ontario Waste Management Corporation	1,510,000	1,393,941
		19,396,200	15,633,108
	Ministry of Government Services		
	Ministry Administration Program		
Mar. 5, 1984	Main Office	98,000	90,367
Mar. 5, 1984	Information Services	174,800	168,556
	Accommodation Program		
Apr. 10, 1984	Program Administration	43,900	—
Apr. 10, 1984	Advisory Services	86,000	66,808
Apr. 10, 1984	Capital Construction	1,048,400	1,005,277
Apr. 10, 1984	Lease — Purchase	303,400	303,009
Apr. 10, 1984	Leasing	2,684,700	1,570,652
Apr. 10, 1984	Repairs, Operation and Maintenance	654,900	—
	Human Resource Services Program		
Mar. 27, 1984	Program Administration	13,000	13,000
Apr. 10, 1984	Program Administration	13,100	11,407
Apr. 10, 1984	Employee Health and Advisory Services	119,500	117,778
Apr. 10, 1984	Employee Benefits and Data Services	249,300	241,804
	Corporate Services Program		
Apr. 10, 1984	Program Administration	47,100	36,827
Apr. 10, 1984	Government Information Services	367,700	351,578
	Real Property Program		
Mar. 5, 1984	Program Administration	65,900	64,801
	Computer and Telecommunication Services Program		
Apr. 10, 1984	Telecommunication Services	1,159,100	1,001,120
		7,128,800	5,042,984

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Health		
	Ministry Administration Program		
Mar. 20, 1984	Main Office	533,600	528,345
Apr. 3, 1984	Financial Services	72,600	—
Apr. 3, 1984	Supply and Office Services	209,800	193,021
Apr. 10, 1984	Personnel Services	40,400	39,943
Mar. 20, 1984	Analysis and Planning	47,300	45,588
Apr. 3, 1984	Legal Services	36,100	36,100
Apr. 24, 1984	Legal Services	4,000	3,386
	Institutional Health Program		
Apr. 3, 1984	Laboratory Services	515,700	456,466
	Public and Mental Health Program		
Mar. 20, 1984	Program Administration	171,900	157,471
Mar. 20, 1984	Mental Health	22,532,200	21,604,256
Mar. 20, 1984	Experience '83	222,100	189,297
	Health Insurance Program		
Apr. 10, 1984	Health Insurance and Benefits	10,186,700	9,493,348
		34,572,400	32,747,221
	Ministry of Industry and Trade		
	Ministry Administration Program		
Apr. 10, 1984	Main Office	30,000	26,511
Apr. 3, 1984	Financial Services	194,000	187,877
Apr. 3, 1984	Supply and Office Services	257,400	257,400
Apr. 24, 1984	Supply and Office Services	2,100	90
Mar. 20, 1984	Personnel Services	111,100	110,939
Jan. 24, 1984	Information Services	1,057,000	1,057,000
Apr. 10, 1984	Information Services	110,000	110,000
Apr. 24, 1984	Information Services	16,500	16,054
	Industry Program		
Apr. 3, 1984	Industrial Policy and Analysis	235,600	235,303
Apr. 10, 1984	Small Business and Field Services	195,000	195,000
Apr. 24, 1984	Small Business and Field Services	55,800	51,348
	Trade Program		
Mar. 20, 1984	Trade Policy and Analysis	198,000	197,688
Apr. 3, 1984	Ontario International Corporation	54,900	54,796
Apr. 10, 1984	International Offices	370,000	369,819
Feb. 21, 1984	Metropolitan Toronto Convention Centre	55,000	55,000
	Ontario Development Corporations Program		
Apr. 3, 1984	Ontario Development Corporation	1,532,000	1,205,709
	Technology Centres Co-ordination Program		
Apr. 10, 1984	Technology Centres Co-ordination	82,000	81,941
		4,556,400	4,212,475

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Intergovernmental Affairs		
	Ministry Administration Program		
Mar. 27, 1984	Main Office	36,400	18,579
	Intergovernmental Relations Program		
Dec. 13, 1983	Protocol Services	175,100	175,100
Mar. 27, 1984	Protocol Services	123,100	119,617
		334,600	313,296
	Ministry of Labour		
	Ministry Administration Program		
Mar. 27, 1984	Main Office	206,100	86,031
Feb. 21, 1984	Financial Services	290,200	219,661
Feb. 21, 1984	Supply and Office Services	541,700	488,953
Mar. 20, 1984	Personnel Services	16,000	3,620
Feb. 21, 1984	Analysis and Planning	561,500	477,127
	Industrial Relations Program		
Mar. 27, 1984	Conciliation and Mediation Services	73,600	72,807
Mar. 27, 1984	Public Service Appeal Boards	10,500	7,366
	Women's Program		
Mar. 27, 1984	Women Crown Employee Office	28,900	11,156
Jan. 24, 1984	Women's Bureau	2,012,300	1,223,483
	Occupational Health and Safety Program		
Mar. 27, 1984	Program Administration	324,800	212,446
Mar. 27, 1984	Occupational Health	64,200	63,792
Mar. 27, 1984	Special Studies and Services	76,300	—
	Employment Standards Program		
Mar. 27, 1984	Employment Standards	225,000	212,133
	Labour Relations Board Program		
Mar. 27, 1984	Labour Relations Board	280,300	279,884
		4,711,400	3,358,459
	Office of the Lieutenant Governor		
	Office of the Lieutenant Governor Program		
Feb. 14, 1984	Office of the Lieutenant Governor	43,700	29,542
	Management Board of Cabinet		
	Government Personnel Services Program		
Apr. 10, 1984	Temporary Help Services	175,000	142,975
Apr. 10, 1984	French Language Services	40,000	35,588
		215,000	178,563

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Municipal Affairs and Housing		
	Ministry Administration Program		
Apr. 3, 1984	Main Office	94,500	85,274
Apr. 3, 1984	Systems Development Services	181,300	168,738
Apr. 3, 1984	Experience '83	102,500	96,080
		378,300	350,092
	Ministry of Natural Resources		
	Ministry Administration Program		
Mar. 27, 1984	Main Office	596,500	504,705
Mar. 27, 1984	Financial Services	110,300	101,817
Mar. 5, 1984	Personnel Services	265,400	253,803
Jan. 10, 1984	Information Services	1,439,300	1,438,453
Mar. 27, 1984	Systems Development Services	293,700	288,458
Mar. 20, 1984	Legal Services	131,000	129,511
Mar. 27, 1984	Field Administration	1,651,200	1,478,973
	Lands and Waters Program		
Mar. 27, 1984	Conservation Authorities and Water Management	1,567,900	1,567,812
Aug. 2, 1983	Extra Fire Fighting	3,000,000	3,000,000
Sept. 13, 1983	Extra Fire Fighting	5,000,000	4,586,063
Mar. 27, 1984	Surveys and Mapping	65,200	64,607
	Outdoor Recreation Program		
Mar. 27, 1984	Fish and Wildlife	2,401,100	2,290,880
	Resource Experience Program		
Mar. 20, 1984	Experience '83	37,500	8,332
		16,559,100	15,713,414
	Ministry of Northern Affairs		
	Ministry Administration Program		
Mar. 27, 1984	Analysis and Planning	76,000	35,733
	Northern Economic Development Program		
Mar. 27, 1984	Program Administration	32,800	14,969
Apr. 3, 1984	Transportation Development	106,000	—
	Northern Transportation Program		
Mar. 20, 1984	Northern Roads	275,000	275,000
Mar. 27, 1984	Northern Roads	325,000	95,404
Mar. 20, 1984	Air Services	181,400	181,106
	Northern Community Services and Development Program		
Mar. 27, 1984	Community Services	155,200	144,793
Apr. 3, 1984	Community Infrastructure	1,552,500	1,455,569
		2,703,900	2,202,574

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Office of the Premier		
	Office of the Premier Program		
Mar. 27, 1984	Office of the Premier	257,600	233,716
	Ministry of Revenue		
	Ministry Administration Program		
Mar. 27, 1984	Main Office	19,500	18,871
Mar. 27, 1984	Legal Services	28,600	27,173
Feb. 14, 1984	Audit Services	175,000	175,000
Mar. 27, 1984	Audit Services	26,700	12,495
Mar. 27, 1984	Analysis and Planning	24,200	7,640
Mar. 27, 1984	Financial Services	176,100	146,796
Mar. 27, 1984	Supply and Office Services	41,200	32,315
Mar. 27, 1984	Personnel Services	54,600	17,521
Mar. 27, 1984	Communications Services	26,800	25,196
Mar. 27, 1984	Systems Development Services	195,400	79,757
Mar. 27, 1984	Relocation Project	308,100	114,922
	Tax Revenue Program		
Mar. 27, 1984	Taxation Data Centre	279,500	193,033
Mar. 27, 1984	Corporations Tax and Other Taxes	243,900	135,656
Mar. 27, 1984	Retail Sales Tax and Other Taxes	324,600	224,726
	Property Assessment Program		
Mar. 27, 1984	Assessment Field Operations	1,878,600	1,388,024
		3,802,800	2,599,125
	Social Development Policy		
	Social Development Policy Program		
Apr. 10, 1984	Social Development Policy	80,200	73,756
Apr. 10, 1984	Ontario Bicentennial Project Office	425,000	422,691
		505,200	496,447
	Ministry of the Solicitor General		
	Ministry Administration Program		
Mar. 5, 1984	Main Office	275,000	194,579
Mar. 5, 1984	Financial Services	200,000	196,225
Mar. 5, 1984	Systems Development Services	25,000	15,747
	Public Safety Program		
Mar. 5, 1984	Program Management	25,000	9,980
Apr. 10, 1984	Fire Safety Services	150,000	16,786
	Ontario Provincial Police Program		
Mar. 5, 1984	Office of the Commissioner	250,000	219,647
Mar. 5, 1984	Supply Division	1,300,000	875,708

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of the Solicitor General (cont'd)		
Mar. 5, 1984	Field Operations Division	2,200,000	1,930,469
Mar. 5, 1984	Investigation Division	450,000	278,139
		4,875,000	3,737,280
	Ministry of Tourism and Recreation		
	Ministry Administration Program		
Apr. 24, 1984	Planning and Administration Services	100	—
Jan. 31, 1984	Information Services	400,300	400,300
Mar. 20, 1984	Information Services	4,800	4,800
Apr. 24, 1984	Information Services	1,200	952
Mar. 20, 1984	Corporate Advertising and Special Projects	59,500	59,500
Apr. 10, 1984	Corporate Advertising and Special Projects	56,500	55,278
Mar. 5, 1984	Experience '83	214,700	131,411
	Tourism Development Program		
Jan. 31, 1984	Program Administration	130,500	130,500
Mar. 20, 1984	Program Administration	1,700	1,700
Apr. 24, 1984	Program Administration	2,000	1,551
Apr. 24, 1984	Tourism Industry Development	100	—
Apr. 24, 1984	Tourism Marketing Development	34,300	—
Mar. 5, 1984	Tourism Field Operations	149,500	149,500
Mar. 27, 1984	Tourism Field Operations	75,000	74,157
	Parks and Attractions Program		
Mar. 20, 1984	Huronia Historical Parks	26,400	—
Mar. 20, 1984	Old Fort William	67,800	67,800
Mar. 27, 1984	Old Fort William	30,000	30,000
Apr. 10, 1984	Old Fort William	10,000	1,561
Mar. 20, 1984	St. Lawrence Parks Commission	25,400	25,400
Apr. 24, 1984	St. Lawrence Parks Commission	200	111
July 5, 1983	Thunder Bay Ski Jumps	540,000	540,000
Mar. 27, 1984	Thunder Bay Ski Jumps	70,000	70,000
Mar. 20, 1984	Resort Development	2,400	2,400
Apr. 10, 1984	Resort Development	6,000	1,961
	Recreation, Sports and Fitness Program		
Mar. 20, 1984	Program Administration	3,200	—
Apr. 10, 1984	Recreation	4,400	4,400
Apr. 24, 1984	Recreation	100	19
Mar. 20, 1984	Recreation, Sports and Fitness Field Operations	1,002,100	1,002,100
Mar. 27, 1984	Recreation, Sports and Fitness Field Operations	800,000	741,920
		3,718,200	3,497,321

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Transportation and Communications		
	Ministry Administration Program		
Mar. 20, 1984	Main Office	2,445,600	1,806,903
Mar. 20, 1984	Financial Services	1,940,000	1,789,910
Apr. 3, 1984	Financial Services	208,600	—
Mar. 20, 1984	Legal Services	275,000	113,030
Mar. 5, 1984	Personnel Services	143,100	143,100
Mar. 20, 1984	Personnel Services	676,500	450,656
Mar. 20, 1984	Supply and Office Services	618,200	197,759
Apr. 3, 1984	Information Services	15,400	—
	Policy Planning and Research Program		
Apr. 3, 1984	Policy Planning	67,400	64,090
Apr. 3, 1984	Research	89,600	84,975
	Safety and Regulation Program		
Apr. 3, 1984	Program Administration	21,000	—
Mar. 5, 1984	Licensing	789,200	789,200
Mar. 20, 1984	Licensing	1,200,000	1,200,000
Mar. 27, 1984	Licensing	5,950,000	5,616,418
	Provincial Highways Program		
Apr. 3, 1984	Program Administration	1,073,000	1,066,951
Apr. 3, 1984	Design	2,494,000	—
Apr. 3, 1984	Maintenance	949,100	949,100
Apr. 10, 1984	Maintenance	4,381,000	2,376,517
	Provincial Transportation Program		
Apr. 3, 1984	Program Administration	25,800	15,268
Apr. 3, 1984	Air	24,600	—
Apr. 3, 1984	Marine	7,500	4,686
	Municipal Roads Program		
Apr. 3, 1984	Program Administration	353,800	227,350
Mar. 27, 1984	Capital, Construction and Maintenance	5,000,000	2,971,632
Apr. 3, 1984	Capital, Construction and Maintenance	179,800	—
	Municipal Transit Program		
Feb. 21, 1984	Capital and Construction	5,300,000	5,300,000
Mar. 27, 1984	Capital and Construction	17,900,000	17,900,000
Apr. 10, 1984	Capital and Construction	4,500,000	4,500,000
Feb. 21, 1984	Operations	1,700,000	1,684,271
		58,328,200	49,251,816
	Ministry of Treasury and Economics		
	Ministry Administration Program		
Feb. 28, 1984	Main Office	200,000	192,940
Feb. 28, 1984	Financial Services	29,400	27,366
Mar. 20, 1984	Supply and Office Services	134,900	129,426
Feb. 28, 1984	Personnel Services	35,000	26,048
Feb. 28, 1984	Information Services	140,000	131,031

Date of Order	Ministry Program and Activity	Authorized	Expended
		$	$
	Ministry of Treasury and Economics (cont'd)		
Feb. 28, 1984	Legal Services	15,000	12,951
	Treasury Program		
Feb. 28, 1984	Treasury	112,000	71,938
	Economic Policy Program		
Feb. 28, 1984	Economic Policy	150,000	—
Feb. 28, 1984	Regional Economic Development	6,000,000	5,997,497
	Inflation Restraint Program		
Jan. 10, 1984	Inflation Restraint Board	515,000	451,797
		7,331,300	7,040,994
	Total Management Board Orders	267,785,900	232,224,129

EXHIBIT 4

STATUTORY APPROPRIATIONS

Amounts Provided and Expended Thereunder Year Ended March 31, 1984

Ministry Activity	Payment Classification	Provided	Expended
		$	$
Ministry of Agriculture and Food			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
Payment of Guarantees	Expenditure	1,000	715,427
Subsidy Payments to the Crop Insurance Fund	Expenditure	16,000,000	20,777,720
Tile Drainage Debentures	Loans	30,000,000	23,608,500
Ontario Agricultural Museum Trust Fund	Trust Account	—	13,466
Richard Blake Palmer Horticultural Trust	Trust Account	—	4,389
		46,031,500	45,151,483
Office of the Assembly			
The Election Act	Expenditure	—	1,154,191
Ontario Electoral Boundaries Commission	Expenditure	901,400	412,063
Contribution to Legislative Assembly Retirement Allowances Account	Expenditure	1,694,600	1,721,961
		2,596,000	3,288,215
Ministry of the Attorney General			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	4,166
Allowances to Supreme Court Judges	Expenditure	195,000	208,792
Allowances to Judges	Expenditure	477,000	481,763
The Proceedings Against the Crown Act	Expenditure	1,000	15,138
		703,500	734,291
Ministry of Citizenship and Culture			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	6,146
George R. Gardiner Museum of Ceramic Art	Expenditure	2,700,000	2,200,000
		2,730,500	2,230,578

Ministry Activity	Payment Classification	Provided	Expended
		$	$
Ministry of Colleges and Universities			
The Private Vocational Schools Act	Trust Account	—	30,000
Queen Elizabeth II Ontario Scholarship Fund	Trust Account	57,000	51,228
		57,000	81,228
Ministry of Community and Social Services			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
Interprovincial Lotteries Trust Fund	Trust Account	—	250,000
		30,500	281,981
Ministry of Consumer and Commercial Relations			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
Unclaimed Monies	Trust Account	—	4,276
Payments from the Motor Vehicle Accident Claims Fund	Expenditure	—	312,010
	Trust Account	16,796,500	14,268,508
Foreign Lands Deposit	Trust Account	—	115,727
Security Bond Forfeitures:			
The Consumer Protection Act	Trust Account	456,000	40,000
The Motor Vehicle Dealers Act	Trust Account		105,739
The Real Estate and Business Brokers Act	Trust Account		85,337
The Travel Industry Act	Trust Account		26,523
The Collection Agencies Act	Trust Account		10,000
The Bailiffs Act	Trust Account		1,000
Contract Security Deposits — Athletics Commissioner	Trust Account	42,000	500
Crown Contributions re Judges' Plans	Expenditure	15,000	1,230
Fees Under the Vital Statistics Act	Expenditure	500	410
Pension Guarantee Fund	Trust Account	1,000	—
		17,341,500	15,003,241
Ministry of Correctional Services			
Minister's Salary	Expenditure	23,300	24,432
Bequests	Trust Account	—	36
		23,300	24,468

Ministry Activity	Payment Classification	Provided	Expended
		$	$
Ministry of Education			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	6,147
Bequests and Scholarships	Trust Account	49,000	43,848
Student Aid Loans, Write-off	Expenditure	—	20,166
Ontario Education Association — Elementary Teachers' Loan Fund	Trust Account	—	346
Teachers' Superannuation Fund	Expenditure	187,893,100	189,107,451
Superannuation Adjustment Fund	Expenditure	37,261,700	36,963,303
Superannuation Adjustment Benefits	Expenditure	66,029,400	66,783,488
		291,263,700	292,949,181
Ministry of Energy			
Deputy Premier's Salary	Expenditure	—	18,424
Minister's Salary	Expenditure	23,300	24,032
Parliamentary Assistant's Salary	Expenditure	7,200	6,141
		30,500	48,597
Ministry of the Environment			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
Interprovincial Lotteries Trust Fund	Trust Account	1,300,000	1,309,130
Reserve Fund for Renewals, Replacements and Contingencies	Trust Account	—	1,380,765
Sinking Fund for Recovery of the Cost of Capital Assets	Trust Account	—	392,930
		1,330,500	3,114,806
Ministry of Government Services			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
Ministers' Without Portfolio Salaries	Expenditure	23,400	21,184
Contract Security Deposits	Trust Account	161,000	60,175
Effingham Park Expropriation Trust Account	Trust Account	—	18,941
Government Stationery Account	Expenditure	1,000	75,601
		215,900	207,882

Ministry Activity	Payment Classification	Provided	Expended
		$	$
Ministry of Health			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
Government Pharmacy	Expenditure	—	906,434
Interprovincial Lotteries Trust Fund	Trust Account	4,500,000	33,909
Reserve for Outstanding Cheques	Trust Account	—	1,172,348
		4,530,500	2,144,672
Ministry of Industry and Trade			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
Ontario Development Corporation	Loans	12,825,000	18,260,224
Northern Ontario Development Corporation	Loans	7,500,000	5,107,676
Eastern Ontario Development Corporation	Loans	9,700,000	3,707,100
		30,055,500	27,106,981
Ministry of Intergovernmental Affairs			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
		30,500	31,981
Justice Policy			
Minister's Salary	Expenditure	23,300	24,432
Interprovincial Lotteries Trust Fund	Trust Account	120,800	60,400
		144,100	84,832
Ministry of Labour			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	6,146
Interprovincial Lotteries Trust Fund	Trust Account	600,000	599,999
Mine Rescue Training	Expenditure	717,500	735,938
Employment Standards — Unclaimed Wages	Trust Account	—	63,137
		1,348,000	1,429,652
Management Board of Cabinet			
Minister's Salary	Expenditure	23,300	24,432

Ministry Activity	Payment Classification	Provided	Expended
		$	$
Ministry of Municipal Affairs and Housing			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
Ontario Renter – Buy Program	Expenditure	12,500,000	10,923,370
		12,530,500	10,955,351
Ministry of Natural Resources			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
Contract Security Deposits	Trust Account	1,075,000	1,051,492
Thomas Foster Trust Account	Trust Account	—	2,501
Algonquin Forestry Authority	Loans	100,000	54,606
		1,205,500	1,140,580
Ministry of Northern Affairs			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
		30,500	31,981
Office of the Premier			
Premier's Salary	Expenditure	33,200	34,813
Parliamentary Assistant's Salary	Expenditure	—	5,569
		33,200	40,382
Office of the Provincial Auditor			
Provincial Auditor's Salary	Expenditure	69,500	72,822
Resources Development Policy			
Minister's Salary	Expenditure	23,300	24,432
Ministry of Revenue			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
Contract Security Deposits — Retail Sales Tax	Trust Account	—	227,372
Local Services Board Levy	Trust Account	—	61,520
Province of Ontario Savings Office	Expenditure	5,947,900	6,702,772
		5,978,400	7,023,645

Ministry Activity	Payment Classification	Provided	Expended
		$	$
Social Development Policy			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
		30,500	31,981
Ministry of the Solicitor General			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
Payments Under the Ministry of Treasury and Economics Act	Expenditure	1,000	389,172
Hearings Under the Police Act	Expenditure	1,000	386
Ontario Police College Library Trust Fund	Trust Account	—	3,451
Payments Under the Police Act	Expenditure	1,000	—
		33,500	424,990
Ministry of Tourism and Recreation			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	—	4,166
Interprovincial Lotteries Trust Fund	Trust Account	10,000,000	10,000,000
		10,023,300	10,028,598
Ministry of Transportation and Communications			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	4,166
Contract Security Deposits	Trust Account	—	1,000
		30,500	29,598
Ministry of Treasury and Economics			
Minister's Salary	Expenditure	23,300	24,432
Parliamentary Assistant's Salary	Expenditure	7,200	7,549
Development Loans	Loans	3,600,000	—
Public Debt			
Interest on Ontario Securities			
Public Issues			
For General Purposes	Expenditure	166,000,000	88,126,591
Discount on Treasury Bills	Expenditure	—	54,322,920
Non-Public Issues			
Canada Pension Plan Investment Fund	Expenditure	1,164,692,000	1,146,928,283
Teachers' Superannuation Fund	Expenditure	620,000,000	612,636,873

Ministry Activity	Payment Classification	Provided	Expended
		$	$
Ministry of Treasury and Economics (cont'd)			
Ontario Municipal Employees Retirement Fund	Expenditure	117,251,000	117,250,593
Other	Expenditure	32,959,000	31,950,692
Interest on Public Service Superannuation Fund	Expenditure	299,953,000	299,148,090
Interest on Superannuation Adjustment Fund	Expenditure	91,870,000	101,902,198
Interest on Province of Ontario Savings Office Deposits	Expenditure	90,000,000	51,738,666
Other Interest, Exchange, Discount and Commission	Expenditure	26,875,000	29,634,917
Debt Transactions	Retirements of Loans	—	276,414,819
Pension and Related Adjustment Funds, Trust and Special Purpose Accounts			
Payments from Public Service Superannuation Fund	Pension Fund	134,845,000	124,613,770
Payments from Superannuation Adjustment Fund:			
Teachers' Superannuation Plan	Related Adjustment Fund	29,448,000	26,319,842
Public Service Superannuation Plan	Related Adjustment Fund	23,952,000	22,406,983
Retirement Pension Plan of Ryerson Polytechnical Institute	Related Adjustment Fund	152,000	68,086
Caucus Employees Retirement Plan	Related Adjustment Fund		13,447
Payments from Legislative Assembly Retirement Allowances Account	Pension Fund	1,100,000	970,502
Other	Trust Accounts	1,103,000	1,264,712
		2,803,830,500	2,985,743,965
Total Statutory Payments*		3,232,305,500	3,409,486,826

Summary of Statutory Payments

	Provided	Expended
	$	$
Budgetary Expenditure	2,942,822,200	2,875,186,566
Loans, Advances and Investments	63,725,000	50,738,106
Pension and Related Adjustment Funds	189,497,000	174,392,630
Trust and Special Purpose Accounts	36,261,300	32,754,705
Retirements of Loans	—	276,414,819
Total Statutory Payments*	3,232,305,500	3,409,486,826

* Does not include Ontario Hydro Transactions. See Report Section 5.9.

EXHIBIT 5

ORGANIZATION CHART
OFFICE OF THE PROVINCIAL AUDITOR

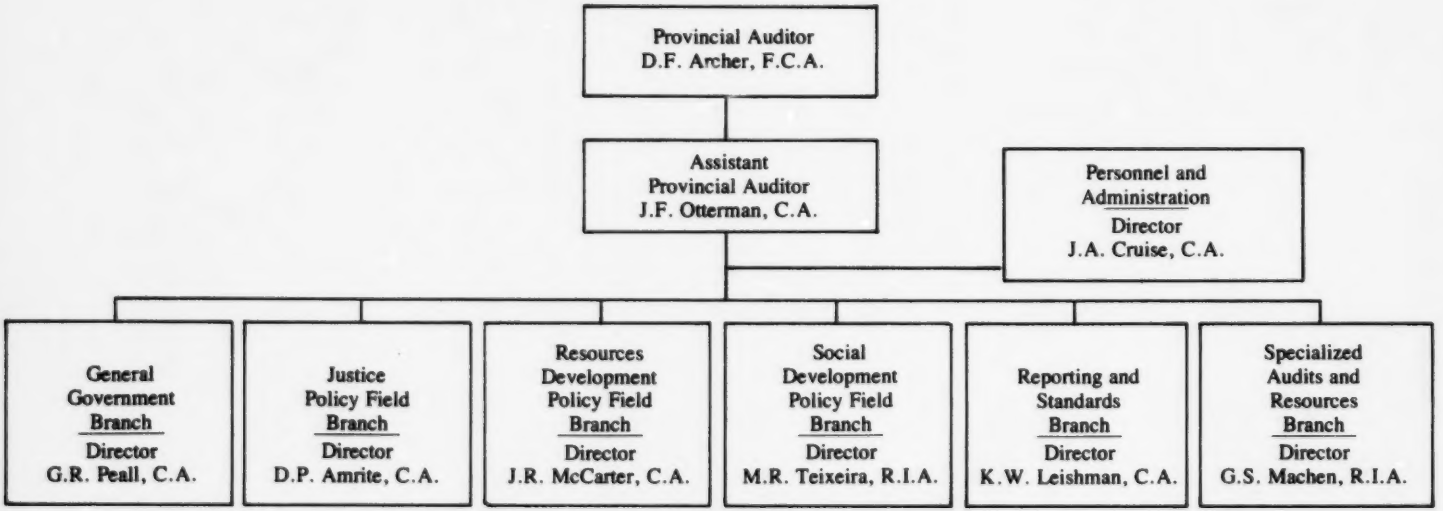

EXHIBIT 6

OFFICE OF THE PROVINCIAL AUDITOR
MINISTRY AUDITS AND SPECIAL REVIEWS
Year Ended March 31, 1984

(See Note)

MINISTRY AUDITS

Agriculture and Food
Attorney General
Citizenship and Culture
Colleges and Universities
Community and Social Services
Consumer and Commercial Relations
Correctional Services
Environment
Government Services
Health
Municipal Affairs and Housing
Natural Resources
Transportation and Communications

SPECIAL REVIEWS

Reviews for Standing Public Accounts Committee:

Follow up re status of recommendations in previous EDP-related report submitted to Committee, Ministry of Health.

Finances of Ontario Hydro related to:

- Darlington Nuclear Generating Station construction project;
- Tube replacement program at Pickering "A" Nuclear Generating Station;
- Mothballing and write-off program in heavy water production and fossil fuel generation.

Detailed Reviews of EDP Activities and Associated Management Controls:

Ministry of the Attorney General
Ministry of Community and Social Services
Ministry of Consumer and Commercial Relations
Ministry of Government Services

Special Assignment for Minister, per section 17 of the Audit Act:

Review, at the request of the Minister of Government Services, of matters related to:

- Contracts with a supplier for consulting services;
- Development of on-line telephone database;
- Development of a computerized database for legislation;
- Consolidation of the Ministry of Municipal Affairs and Housing at its new location.

Other:

Review of contracts initiated by a Minister of the Crown.

NOTE: In general, this listing includes audits completed between October 1, 1983 and September 28, 1984. In all cases, at least a portion of the period covered by the audit fell within the fiscal year ended March 31, 1984.

EXHIBIT 7

OFFICE OF THE PROVINCIAL AUDITOR
AGENCY OF THE CROWN AND CROWN CONTROLLED CORPORATION AUDITS
Year Ended March 31, 1984

(See Notes)

AGENCIES OF THE CROWN

(i) Whose accounts the Provincial Auditor is appointed to audit by its shareholders or by its board of management, board of directors or other governing body.

* Ontario Educational Services Corporation
Ontario Industrial Training Institute
* Ontario Land Corporation
Ontario Mortgage Corporation (Note 2)
Ontario Waste Management Corp. (Note 2)
The Owen Sound Transportation Company, Limited (December 31, 1983)
Soldiers' Aid Commission
Star Transfer Limited (December 31, 1983)

(ii) Whose accounts are audited by the Provincial Auditor pursuant to appointment under any Act or by the Lieutenant Governor in Council.

* The Accountant of the Supreme Court of Ontario
Agricultural Rehabilitation and Development Directorate of Ontario
Alcoholism and Drug Addiction Research Foundation
* Algonquin Forestry Authority
The Centennial Centre of Science and Technology
Commission on Election Contributions and Expenses
* The Crop Insurance Commission of Ontario
* Eastern Ontario Development Corporation
Egg Fund Board (December 31, 1983)
* Farm Income Stabilization Commission of Ontario
The Fund for Milk and Cream Producers, The Milk Commission of Ontario
* IDEA Corporation
The John Graves Simcoe Memorial Foundation
The Law Society of Upper Canada, Legal Aid Fund
* Liquor Control Board of Ontario
The Live Stock Financial Protection Board
The McMichael Canadian Collection
* The Niagara Parks Commission (October 31, 1983)

* Northern Ontario Development Corporation
North Pickering Development Corporation (Note 2)
Office of the Assembly
Office of the Official Guardian
Office of the Ombudsman
Ontario Agricultural Museum
The Ontario Cancer Treatment and Research Foundation
Ontario Deposit Insurance Corporation (December 31, 1983) (Note 2)
* Ontario Development Corporation
* The Ontario Education Capital Aid Corporation
The Ontario Educational Communications Authority
Ontario Food Terminal Board
The Ontario Heritage Foundation
* Ontario Housing Corporation (December 31, 1983)
Ontario International Corporation
* The Ontario Junior Farmer Establishment Loan Corporation
* Ontario Lottery Corporation
* The Ontario Municipal Improvement Corporation
* Ontario Northland Transportation Commission (December 31, 1983)
* Ontario Place Corporation
Ontario Racing Commission
Ontario Stock Yards Board (June 30, 1983)
The Ontario Telephone Development Corporation
* The Ontario Universities Capital Aid Corporation
* Ontario Waste Management Corporation
Pension Commission of Ontario
Police Complaints Board
Province of Ontario Council for the Arts
Public Complaints Commissioner
* Public Service Superannuation Fund
* The Public Trustee of the Province of Ontario
Residential Tenancy Commission
The St. Clair Parkway Commission (December 31, 1983)
The St. Lawrence Parks Commission
* Superannuation Adjustment Fund

(iii) Whose accounts are audited by an auditor, other than the Provincial Auditor, appointed by the Lieutenant Governor in Council. These audits are performed under the direction of the Provincial Auditor pursuant to section 9(2) of the Audit Act.

Board of Community Mental Health Clinic, Guelph
Clarke Institute of Psychiatry
The Ontario Cancer Institute
Ontario Mental Health Foundation
* Teachers' Superannuation Fund (December 31, 1983)
* Workers' Compensation Board (December 31, 1983)

(iv) The audit of whose accounts the Provincial Auditor is required to direct or review, or in respect of which the auditor's report and working papers used in the preparation of the auditor's statement are required to be made available to the Provincial Auditor under the agency's governing Act.

* Toronto Area Transit Operating Authority

CROWN CONTROLLED CORPORATIONS, whose accounts are audited by an auditor other than the Provincial Auditor, with full access by the Provincial Auditor to audit reports, working papers and other related documents.

Beechgrove Regional Children's Centre Board of Governors
The Board of Governors of The Ontario Institute for Studies in Education (April 30, 1983)
The George R. Gardiner Museum of Ceramic Art (Note 3)
Metropolitan Toronto Convention Centre Corporation
* Ontario Centre for Advanced Manufacturing
* Ontario Centre for Automotive Parts Technology
* Ontario Centre for Farm Machinery and Food Processing Technology
* Ontario Centre for Microelectronics
* Ontario Centre for Resource Machinery Technology
Ontario Cream Producers' Marketing Board (September 30, 1983)
* Ontario Energy Corporation (December 31, 1983)
Ontario Historical Studies Series
* Ontario Hydro (December 31, 1983)
The Ontario Milk Marketing Board (October 31, 1983)
Ontario Municipal Employees Retirement Board (December 31, 1983)
Ontario Research Foundation (December 31, 1983)
Ontario Share and Deposit Insurance Corporation (December 31, 1983)
The Ontario Transportation Development Corporation (December 31, 1983) (Note 2)

Ontario Trillium Foundation
Ontario Van Pool Organization Limited
(December 31, 1983)
The Royal Ontario Museum (June 30, 1983)
* Urban Transportation Development Corporation Ltd.
(December 31, 1983)

* Audited financial statements reproduced in 1983-84 Public Accounts, the majority appearing in Volume 2 thereof.

Note 1: In all cases, the audit covered the fiscal period of the Agency or Corporation. In most cases, the fiscal period ended on March 31, 1984. Where the fiscal period ended on a date other than March 31, 1984, such date has been indicated in parenthesis.

Note 2: Inactive during this fiscal year.

Note 3: No longer a Crown controlled corporation commencing January 1984.

EXHIBIT 8

OFFICE OF THE PROVINCIAL AUDITOR
PROVINCE OF ONTARIO

STATEMENT OF EXPENDITURE
for the year ended March 31, 1984

	1984		1983	
	Actual	Estimates	Actual	Estimates
Salaries and wages	$2,951,463	$3,328,100	$2,906,686	$3,105,000
Employee benefits	503,763	525,100	346,971	477,000
Transportation and communication	124,303	104,000	102,751	104,000
Services	122,951	112,000	147,513	112,000
Supplies and equipment	29,925	35,000	46,063	53,000
Transfer payments				
Canadian Comprehensive Auditing Foundation	36,750	36,700	35,000	35,000
	3,769,155	4,140,900	3,584,984	3,886,000
Provincial Auditor's Salary	72,822	69,500	69,553	65,000
	$3,841,977	$4,210,400	$3,654,537	$3,951,000

NOTES

1. Accounting Policy

The statement of expenditure has been prepared using the basis of accounting followed by the Province of Ontario with respect to the Public Accounts. This basis uses the "cash flow" principle of accounting modified to allow an additional thirty days to pay for goods or services pertaining to the fiscal year just ended.

2. Estimates

The estimates shown above are those noted and approved, including supplementary estimates where applicable.

AUDITORS' REPORT

TO THE BOARD OF INTERNAL ECONOMY
THE PROVINCE OF ONTARIO

We have examined the statement of expenditure of the Office of the Provincial Auditor for the year ended March 31, 1984. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, this statement presents fairly the expenditures of the Office of the Provincial Auditor for the year ended March 31, 1984 in accordance with the accounting policy referred to in note 1 to the statement applied on a basis consistent with that of the preceding year.

Toronto, Canada
June 28, 1984

ALLEN MILES FOX & JOHNSTON
CHARTERED ACCOUNTANTS

STATUS OF SUGGESTED CORRECTIVE ACTION AND RECOMMENDATIONS CONTAINED IN PREVIOUS ANNUAL REPORTS

EXHIBIT 9

(See Note)

Report	Section	Caption	Status as at Date of Preparation of 1984 Auditor's Report
		Ministries — General	
1983	*3.3	Survey of EDP utilization in ministries	In process of implementation — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
		Ministry of Agriculture and Food	
1982	*2.3	Administrative weaknesses re significant contract	In process of implementation — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1983	*3.4	Inadequate planning re Ontario Farmstead Improvement Program	Partially implemented — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
		Ministry of Community and Social Services	
1983	3.5	Inadequate monitoring and reporting procedures re Provincial allowances and benefits	Status to be verified at time of next audit in this area.
		Ministry of Education	
1983	3.7	Deficiencies in accountability process re General Legislative Grants	Status to be verified at time of next audit in this area.
		Ministry of the Environment	
1983	3.8	Operating and other deficiencies, Environmental Control Program	Status to be verified at time of next audit in this area.
		Ministry of Government Services	
1983	*3.9	Lack of economy and efficiency re provision of accommodation	Substantially implemented.

Report	Section	Caption	Status as at Date of Preparation of 1984 Auditor's Report
		Ministry of Health	
1983	*3.11	Strengthened collection procedures needed re OHIP group billings	In process of implementation — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
		Ministry of Industry and Trade	
1982	2.11	Opportunity for increased efficiency in operations of Industry Development Program	Status to be verified at time of next audit in this area.
		Ministry of Labour	
1983	3.12	Potential for operations improvements, Construction Health and Safety Branch	Status to be verified at time of next audit in this area.
		Ministry of the Solicitor General	
1983	3.16	Excessive short term absences	Status to be verified at time of next audit in this area.
1983	3.17	Poor management and control practices, Ontario Police College	Status to be verified at time of next audit in this area.
		Ministry of Tourism and Recreation	
1983	3.18	Detailed audit of operations	Status to be verified at time of next audit in this area.
1983	3.19	Observations re Agency of Record and Government advertising expenditures	Status to be verified at time of next audit in this area.
		Ministry of Transportation and Communications	
1983	3.20	Deficiencies re vehicle licensing and registration	Status to be verified at time of next audit in this area.
		Crown Agencies	
1983	4.2	Accountability of Crown Agencies	Not yet reviewed by Public Accounts Committee — will likely be covered by the Committee later this year.

Report	Section	Caption	Status as at Date of Preparation of 1984 Auditor's Report
1983	*4.4	Inadequate premium levels resulting in heavy losses, The Crop Insurance Commission of Ontario	Substantially implemented.
1983	*4.5	Audit of management controls, Liquor Control Board of Ontario	Partially implemented — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1983	*4.6	Review of computer operations, Liquor Control Board of Ontario	In process of implementation — any significant weaknesses in this area will be commented on in our future annual reports to the Legislature.
1983	*4.8	Lack of competitive bids re advertising, Ontario Lottery Corporation	Substantially implemented.
1983	*4.10	Irregularities re engagement of consultants and other matters, Ontario Waste Management Corporation	Substantially implemented.
1983	*4.11	Potential for increased economy and efficiency re operation of M.S. Chi-Cheemaun, Owen Sound Transportation Company, Limited	Substantially implemented.

NOTE: This exhibit provides the status of all suggested corrective action and recommendations which were:

(a) considered unresolved per Exhibit 9 of the 1983 Auditor's Report.

(b) contained in the body of the 1983 Auditor's Report.

* Considered resolved as at September 28, 1984.

STATUS OF RECOMMENDATIONS CONTAINED IN THE REPORTS OF THE STANDING PUBLIC ACCOUNTS COMMITTEE TO THE LEGISLATIVE ASSEMBLY

EXHIBIT 10

(See Note)

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1984 Auditor's Report
July 10, 1975	*Management Board of Cabinet — Computer Guidelines: The Committee also recommends again most strongly that adequate guidelines be drawn up with respect to the use and security of information used and stored by the government computer service.	This has been incorporated into a recommendation contained in the Committee's December 14, 1983 Report. For current status, see second recommendation of that Report.
December 9, 1980	Ministry of the Solicitor General — Policing Services: On the question of policing, the Committee recommends that the Ministries involved move without further delay to arrive at a rationalized and equitable means of financing policing services on a consistent basis.	On September 14, 1983, the Deputy Solicitor General advised us that the complexity of the issues and the variety of inconsistencies abounding in the funding and organization of policing had made the task more difficult than appreciated earlier. An Interministerial Committee was in the process of collecting additional data to be analyzed. On October 5, 1984, we were advised as follows by the Deputy Solicitor General: *"The additional information requested by the participating Deputy Ministers of the Interministerial Committee has been collected and analysed. Estimates on the costs of policing of all municipalities in Ontario are now available. A draft report has been prepared and is now in process of review within the Ministry and by the representatives of the Ministry of Treasury and Economics and from the Ministry of Municipal Affairs and Housing. It is anticipated that the final report will be reviewed by the participating Deputy Ministers before the end of the year."*

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1984 Auditor's Report
December 14, 1981	*Ministry of Treasury and Economics — Accounts Receivable: The Government should institute a uniform policy of charging interest on overdue accounts; the rate of interest should be set at a realistic level, and reviewed periodically.	The Deputy Treasurer advised us as follows on July 24, 1984: *"As you may be aware, Bill 88, amending the Financial Administration Act, received Royal Assent on June 27th, 1984 and a new provision allowing the charging of interest on overdue debts, was amongst the changes made. Section 9a of the Act, now in place, sets out the specific authority under which ministries having overdue accounts '. . . may require the payment of interest or penalty . . .'.* *"An Order-In-Council is presently being processed which will establish an interest formula. This will follow the same approach, with a semi-annual review feature, as used by the Ministry of Revenue for overdue or overpaid taxes. Ministries use the same derived rate in paying interest on overdue accounts payable."* The Order-in-Council referred to above was passed on August 9, 1984.
December 14, 1983	*Provincial Secretariat for Resources Development and Ministries — Programs for Native People: The Committee believes that there should be a well-defined line of demarcation between federal and provincial responsibilities, with respect to funding programs for Native peoples in Ontario — thereby eliminating the potential for federal-provincial duplication of effort. The Committee recommends that the Provincial Secretariat for Resources Development, together with the appropriate line-ministries, implement proper and comprehensive procedures for program documentation and	On January 25, 1984 the Deputy Provincial Secretary for Resources Development wrote the Chairman of the Standing Public Accounts Committee: *". . . the Province has attempted to seek such a demarcation with the Federal Government over the past six years. One of the most visible issues for federal/provincial/aboriginal discussion at the March 1984 First Ministers' Conference on Aboriginal and Treaty Rights will be the issue of Aboriginal Self-government. Negotiations on this issue over the coming years will hopefully result in a clearer delineation of federal/provincial/Indian*

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1984 Auditor's Report
	the accounting of funds to Indian bands. These should include documentation to support program rationale (i.e., the need for programs) and accounting procedures which verify the proper allocation of funds (i.e., that funds are directed to intended programs). In addition, there should be an accounting by the Indian bands to the appropriate line-ministries, for funds received.	*jurisdictions for programming to Indian people in Ontario. Hopefully this will reduce the Committee's concern about the potential for federal-provincial duplication of effort.* *". . . All ministries are accountable for the funds they disburse to Indian bands and Native organizations. The Secretariat is no exception to this rule. The limited funds the PSRD provides to the regional Indian associations for tripartite negotiations are administered in a manner which meets general government accountability requirements. However, the Secretariat does not have a role with respect to how other ministries administer their grants."* Additionally, in June 1983, the Deputy Ministers of Citizenship and Culture and Community and Social Services (those ministries covered in section 2.18 of our 1982 Report) wrote to the Chairman, advising him of the accountability processes in their ministries regarding funds provided to Indian bands.
December 14, 1983	*Management Board of Cabinet — Computer System Security and Disaster Preparedness: In 1975, the Public Accounts Committee recommended to Management Board of Cabinet that "guidelines be drawn up with respect to the use and security of information used and stored by the government computer service." In 1982, the Committee recommended that the Ministry of Government Services develop contingency plans for computer system disruption and/or disaster. The Committee is not satisfied with the overall progress made in computer system security and disaster	The Secretary, Management Board of Cabinet, on January 18, 1984, advised the Chairman of the Standing Public Accounts Committee as follows: *"The Management Board has issued an interim guideline on information technology security. This guideline is intended to ensure:* *1. that ministries are aware of their responsibilities for the security of their information systems, and related hardware and software facilities;* *2. the formation of plans to ensure the continued operation of sensitive and critical systems in the*

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1984 Auditor's Report
	preparedness. Since this is a matter of some urgency, the Committee requests that the Government act immediately to draw up contingency plans for disaster preparedness and that Management Board advise the Committee and Provincial Auditor of the status of these plans and/or policies.	*event of disasters affecting their normal operation, and;* 3. *that the processes for reducing vulnerability to accidental or deliberate threats to the confidentiality, integrity, and availability of program delivery information are well understood.* *"The guideline will be incorporated into a formal policy which is being prepared for issuance later this year.* *"With respect to the status of disaster contingency plans, we suggest that the Committee's needs might best be met through audits conducted by the Provincial Auditor or by direct reporting from ministries to the Committee. Regarding the latter, and apropos the Committee's 1982 recommendation, we understand that the Ministry of Government Services intends to provide the Committee with information on its contingency plans."* The Deputy Minister of Government Services wrote as follows on May 2, 1984: *"On March 10, 1983, my predecessor, Mr. Alan Gordon, appeared before the Standing Committee and reported on the steps taken or being taken by this Ministry. These steps had been outlined in Mr. Gordon's letter to the chairman of the Committee dated March 1, 1983. The response of the Committee to these initiatives was most positive at the time of the Ministry's appearance before the Committee.* *"The Computer and Telecommunication Services*

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1984 Auditor's Report
		Division will continue to work with client ministries for the provision of computer and telecommunication facilities pursuant to the interim guidelines on security recently issued by the Management Board of Cabinet.''
		The March 1, 1983 letter referred to above was included in Exhibit 10 of our 1983 Report.
December 14, 1983	*Ministry of the Attorney General — EDP Policies:	As part of a recent EDP audit of the Ministry, we reviewed the status of recommendations contained in section 2.5 of our 1982 Annual Report. We concluded that these recommendations had been implemented or were in the process of being implemented.
	Arising from its review of section 2.5 of the 1982 Report of the Provincial Auditor, the Committee recommends that the Provincial Auditor determine whether or not new EDP policies and proposals are currently in effect at the Ministry of the Attorney General.	
December 14, 1983	*Management Board of Cabinet — Accountability of Crown Corporations:	The Secretary, Management Board of Cabinet, wrote to the Chairman of the Standing Public Accounts Committee as follows on January 18, 1984:
	Officials from Management Board of Cabinet have stated that the heads of Crown corporations are accountable to their parent ministers. This accountability includes the ministerial approval of salaries. The Committee is concerned that this line of accountability was not originally followed, particularly with regard to the establishment of the salary for the Chairman of the Ontario Waste Management Corporation.	*''It should be noted that compliance with the Manual of Administration in its totality is required only for Schedule I agencies, although other agencies may choose to utilize the manual, in whole or in part. Further, a Memorandum of Understanding is required only for operating and regulatory agencies in groups I and II.*
	The Committee recommends that newly-established Crown agencies, boards and commissions be advised thoroughly on the application of Government management guidelines, the Ontario Manual of Administration and the Memorandum of Understanding.	*''We agree with the recommendations of the Committee, insofar as they apply to those agencies affected. However, the government clearly already does, as a matter of established practice, expect ministry officials to advise agencies on these matters. Further, the government expects all agencies to adhere to good administrative practices.*

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1984 Auditor's Report
		"We were pleased to note that the examination of five Crown agencies by the Committee as recounted in its 1983 report found that all five are being administered satisfactorily. Further, the Committee proceedings indicate that officials of these agencies, when questioned by Committee members, demonstrated cognizance of their obligations as regards the Manual of Administration and their Memoranda of Understanding. *"However, from time to time, it is useful to reiterate government expectations. This was done most recently this past summer when the Chairman of Management Board wrote to his Cabinet colleagues respecting the accountability of agencies."*
December 14, 1983	*Office of the Ombudsman — Compliance with Manual of Administration: The Committee is concerned that the policies of the Ontario Manual of Administration have not been followed by the Office of the Ombudsman. It therefore recommends that the Provincial Auditor review the Office's policies and procedures for compliance with the Manual, and report his findings to the Public Accounts Committee.	Such a review was undertaken as part of our March 31, 1984 audit of the Office of the Ombudsman. See section 4.7 of this Report for details of our findings.
December 14, 1983	*Treasurer of Ontario — Comfort Letters: The Committee recommends that the Provincial Auditor request, from the Treasurer of Ontario, all relevant information that would enable him to monitor the number and nature of comfort letters issued annually.	Such information regarding the year ended March 31, 1984 has been obtained. For details thereof, see Section 5.6 of this Report.

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1984 Auditor's Report
December 14, 1983	*Management Board of Cabinet — Accountability of Crown Corporations: The Committee is concerned about the accountability of Crown corporations generally, and believes that such corporations should be reviewed on a regular basis. Management Board has advised the Committee that it is conducting a survey of other provinces, as part of a larger study, to ascertain the optimum methods for reviewing Crown agencies. The Public Accounts Committee will review the results of Management Board's findings as they become available. In view of the importance of the Memorandum of Understanding as a mechanism for Crown corporation accountability, the Committee recommends that all such Memoranda be reviewed regularly, in order to reflect current operating relationships among Crown corporations, their parent ministries, the Government and the Legislature.	The results of the survey were sent to Committee members in April 1984. On January 18, 1984 the Secretary, Management Board of Cabinet, wrote as follows to the Chairman of the Standing Public Accounts Committee: *"It is the intent that memoranda be kept current. The guidelines for the preparation of Memoranda of Understanding provide that each new minister and each new agency head is to review the content of the applicable memorandum. We will review the adequacy of these provisions as part of our ongoing evaluation of our policies and guidelines."*
December 14, 1983	*Management Board of Cabinet — Enforcement of Compliance with Manual of Administration: The Committee acknowledges that a system or chain of accountability and responsibility exists in Ontario, whereby a Deputy Minister is accountable to a Minister who is, in turn, accountable to the Premier who possesses the ultimate responsibility for the hiring and firing of senior Government officials. With regard to this system of accountability, the Committee is concerned about the enforcement of compliance with the Ontario Manual of Administration, and suggests that the matter should be reviewed by the Government.	In a letter dated January 18, 1984 the Secretary, Management Board of Cabinet advised the Chairman of the Standing Public Accounts Committee that: *"The Committee's concern with respect to enforcement of compliance is noted. It will be fully considered in a review of Ontario's management and accountability framework which has been requested by Premier William G. Davis and which will be conducted jointly by the Chairman of Management Board and the Treasurer of Ontario."* See section 3.3 of this Report for general information regarding this review.

Date of Report	Content of Recommendation	Status as at Date of Preparation of 1984 Auditor's Report
December 14, 1983	*Office of the Provincial Auditor — Audit Act: The Committee recommends that the Government consider whether or not the authority possessed by the Auditor under the Audit Act, for access to Crown controlled corporations, should be extended to include the subsidiaries of Crown controlled corporations.	On March 7, 1984 the Treasurer of Ontario advised the Chairman of the Standing Public Accounts Committee as follows: *"There is no disagreement in principle on this position. We are prepared to clarify the Provincial Auditor's right of access to these subsidiary corporations."* The Office feels that this response is adequate assurance in the matter. However, an appropriate revision will also be considered in any future amendments to the Audit Act.

NOTE: This Exhibit provides the status of all recommendations contained in the Standing Public Accounts Committee's December 14, 1983 Report to the Legislature. The Exhibit also includes the status of recommendations contained in previous Committee reports which were considered unresolved by the relevant ministry or agency per Exhibit 10 of our 1983 Report.

*Considered resolved by ministry or agency as at September 28, 1984.